DOCUMENT RESUME

ED 288 943 UD 025 925

TITLE	Work and Welfare. Hearings on Reviewing the Extent of Long-Term Poverty and Dependence, Focusing on Job Training and Employment Services Provided by the Government before the Committee on Labor and Human Resources. United States Senate, One Hundredth Congress, First Session (January 21, February 3-4, 1987).
INSTITUTION	Congress of the U.S., Washington, D.C. Senate Committee on Labor and Human Resources.
REPORT NO	Senate-Hrg-100-37
PUB DATE	87
NOTE	295p.
AVAILABLE FROM	Superintendent of Documents, Congressional Sales Office, U.S. Government Printing Office, Washington, DC 20402.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Reports - Descriptive (141)
EDRS PRICE	MF01/PC12 Plus Postage.
DESCRIPTORS	Hearings; *Incentives; *Job Training; Labor Force; Labor Market; Poverty; *Public Policy; Self Help Programs; Underemployment; *Unemployment; *Welfare Recipients; *Welfare Services
IDENTIFIERS	Congress 100th

ABSTRACT

The poverty rate in America has increased during the Reagan Administration. Real welfare benefits have fallen sharply and people with jobs have been disqualified from government assistance. Using lessons from the public and private sectors, legislators are attempting to change the regulations of public assistance and welfare work programs to assure that work is always a viable and attractive alternative to people who receive public assistance and that job training and employment services are available to them. This document is the transcript of the first session of hearings held before the Senate Committee on Labor and Human Resources. Testimony is given by founders, administrators, and participants of work programs. Data are presented on unemployment, underemployment, welfare services, job training, and work incentives. The proposed legislation would give incentive bonuses to states which conduct job training programs which prove to be effective. (VM)

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WORK AND WELFARE

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HEARINGS

BEFORE THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

REVIEWING THE EXTENT OF LONG-TERM POVERTY AND DEPENDENCE, FOCUSING ON JOB TRAINING AND EMPLOYMENT SERVICES PROVIDED BY THE GOVERNMENT

JANUARY 21; FEBRUARY 3 AND 4, 1987

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71-837
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WORK AND WELFARE

WEDNESDAY, JANUARY 21, 1987

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The Committee met, pursuant to notice, at 10:07 a.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (Chairman of the Committee) presiding.

Present: Senators Kennedy, Hatch, Metzenbaum, Quayle, Simon, Harkin, Humphrey, Dodd, and Adams.

OPENING STATEMENT OF SENATOR KENNEDY

The **CHAIRMAN**. We will come to order.

In a dramatic reversal of a two-decade trend, America has lost ground in the war on poverty. The poverty rate for the population as a whole now stands at 14.4 percent, 1.4 points higher than at the beginning of this Administration. Two million more people are living in poverty now than when President Reagan took office.

Such numbers are dismaying. Twenty years after the war on poverty was declared, this Administration has held up the white flag: In the war on poverty, poverty won.

The poverty rate for children under 18 fell from 27 to 14 percent in the 1960s, but has soared to 22 percent in the past five years. For black children, it is 47 percent.

Some claim that the "other America" benefits from a social "safety net" that protects the truly needy. The claim is preposterous, as the victims of the budget cuts for the past few years make clear.

Others are unwilling to act because they view poverty as a self-inflicted wound caused by laziness and dependency. They point out that the majority of those who receive Aid to Families with Dependent Children are chronically dependent on public relief for the bulk of their income. They view public assistance as a narcotic, deadening the motivations of its recipients and creating a culture of dependence.

But an accurate view of poverty reveals a different picture. In a ten-year period, one out of four Americans—and one out of every three children—will be in poverty at some point. But three-quarters of these Americans will dig out of poverty in one to four years. For them—and they are the majority of black as well as white poor—poverty is not a way of life, but a time of need, usually caused by unemployment, physical disability, or divorce.

The long-term poor—those who depend on public assistance for half of their income for eight out of ten years—represent 2 percent of the U.S. population or four million citizens. One-third of this group is disabled and elderly. For them, work is not even an arguable option. Many of the rest live in households headed by a single female. Almost all have child-care responsibilities, and few possess even the basic skills necessary to gain employment.

While conservatives are often misled by a desire to affix moral blame for the plight of the poor, liberals and moderates are often blinded to important truths about the poor because their attention is drawn to the immediate pains of deprivation rather than to the long-term causes of destitution.

The battles in the war against poverty over the past two decades have taught us that public assistance is a palliative, not a cure, for poverty. It does not deal with the cause of poverty—the fact that our economy is turning millions of people into human surplus.

Cutting aid to the poor will not end poverty either. Real benefits have fallen sharply in the last ten years. Since 1981, food stamp benefits have been slashed, and poor people with jobs have been disqualified from government assistance. The result of these harsh policies is that there are far more poor now than when this cruel experiment began. The evidence is clear that hunger is not the precondition of ambition and that the poor will not get jobs if we make them poorer still.

The goal before us is obvious. We must attempt to ensure that work is always a viable and attractive alternative to people on public assistance. This will be accomplished only by identifying the neediest population and targeting our job training and employment services to that population.

Over the past few months, I have been working on legislation that will do just that by using some lessons learned from both the public and the private sectors, especially from the innovative, imaginative and successful E.T. Choices program in Massachusetts.

The legislation which I am preparing will stipulate that incentive bonuses be paid to States that conduct job training programs of demonstrated effectiveness—that means job training programs that successfully train and employ long-term public assistance recipients. The most important result of this legislation will be the dignity and pride that it would restore to former recipients of public assistance.

But there are additional advantages. Paramount among these is the fact that this legislation is revenue-neutral and actually saves the government money over time. The bonuses paid to States through the proposed system would be more than covered by the savings accumulated when a longterm recipient on public assistance gets off of welfare for good.

This morning, we will assess the extent of long-term poverty and dependence, and we will examine Federal efforts to bring opportunity to those whose lives are often permanently damaged by its absence. Let this message go out—we are serious about this problem, we intend to find its causes, and we will fashion the best solution available.

I recognize my good friend, the Senator from Indiana, who has worked so assiduously on the problems of employment training and with whom I have enjoyed working on this issue. We are delighted to recognize you for whatever comments you would like to make.

Senator **Quayle**. Thank you very much, Mr. Chairman.

First of all, let me congratulate you on having these hearings. I think the issue of how the welfare recipients are being served by JTPA is a good question, a question that we have raised in the past and one that we are certainly going to explore.

Let me just, very politely—and I hope to be able to talk to you privately about this further—one of the things in this particular hearing—I think the issue of how JTPA serves the welfare recipients is an issue we ought to explore—but we really ought to have somebody from the JTPA system itself tell us why they are doing what they are doing.

What I have tried to do over the past, and I think the Senator knows this, is to make sure that whatever the issue is that we certainly get both the pros and the cons. I think that the issue that you bring up is something that I am very, very concerned about and something I want to explore. But the fact is that we do not have any witness at all from the JTPA system, either the Federal, the State or the local. I do not care which States or which representatives, but we ought to know why the people who run the JTPA program are doing what they are doing, whether it is the amount of money and where they are making that investment; are they making the wrong investment; are they making the right investment.

I just hope that as we talk—and as I said, I hope to be able to pursue this with you privately; you will find, when you get through all your notes, I have been trying to get in touch with you a couple of times, but we all have a lot of hearings—I just think we ought to do that.

And secondly, I was concerned on the February 4th hearing that you were talking about. We have been informed that they are going to be on legislative proposals. If that is the case, I would hope—and you can follow whatever process you want to—but I think as far as gathering consensus where consensus can be formed—and on some issues, you and I are going to agree, and on others we will just disagree. And I have always tried to form, when we can, a consensus, and that moves us along a lot quicker.

But if we are going to have legislative hearings on February 4th—we have seen some of the drafts—but what we really need to do is to get it out to the groups and to the people who are going to be affected by this. And it seems to me to be a bit premature if we are going to have it on those legislative proposals, if we have not gotten at least out in the public domain what your proposal is. Maybe there is some agreement, and we might even be able to reach an agreement.

What I am just trying to strive for in making this point is that I hope that on things where we have a genuine interest, that we can work toward consensus and accommodation and try to get as much input from all factors. And there will be a lot of areas of consensus.

Now, on the public service employment and things like that, I think you and I just have a basic philosophical disagreement—that is understandable. But there are a lot of things that we do agree on, and I hope particularly that we can and we should hear from the JTPA representatives. And if we are going to have legislative hearings, I hope that we can at least get the proposals out to the public so people from all viewpoints can have an opportunity to hear them.

I just bring that up as one who is very interested in it, and I will explore it with the Chairman in further detail in private. I do not think this is the time to get into it, but I do think we need to have some sort of feel of how we are going to proeeed, and it is up to the Chair on how we are going to proceed. You know how I proceeded in the past, and I hope that some of the things that we tried to establish as far as communication and working toward consensus on things where you can achieve it, and plus getting that record open and having it open to all people, would be agreeable with the Chair.

The CHAIRMAN. Well, I thank the Senator from Indiana. As he knows, we have worked very closely in the past, and we want to work closely with him in this endeavor.

I might mention that our second panel are all JTPA experts. They are the ones who are in the local communities and are involved in these various programs. It is always useful to hear from the top administrators, but we thought we would try and reach out to those who are really on the firing line and working with these programs. We can benefit from hearing from others as well, but I think the point about hearing about what is happening out on the front lines is a very important and significant one.

I want to give the assurance in the broadest sense to the Senator that we will work closely with him. I think generally, in terms of legislative functions, there are a couple ways of dealing with the issues. One can either have a piece of legislation introduced and have specific hearings, or one can try and gather information from the testimony of different groups and try to incorporate the substance of those recommendations in a way that has broad consensus.

We will try to weave our way through considering both paths. But I want to give the assurance that we will work closely with the Senator from Indiana.

Senator QUAYLE. Well, on the legislative hearings, would it be possible—do you intend to have them on February the 4th?

The CHAIRMAN. Yes.

Senator QUAYLE. Would it be possible that we could go ahead and get the details of the legislation now, so people could have an opportunity to—you know, maybe put it in the record or something, a statement of principles——

The CHAIRMAN. Surely.

Senator QUAYLE [continuing]. So we can begin to get people focused on what it is going to be, rather than—I mean, we can sort of pass it around and then call in whoever we want to. But I just think the more open you are, the better you are going to establish that consensus and find out where you can move in a consensus orientation and where you cannot, and the better off we are all going to be.

The CHAIRMAN. I might just mention, as we talked a bit about this JEDI proposal, that it is not something that I take very special pride in initiating or originating. This is a concept which both the Southern Governors' Association, the National Conference of Mayors, the National Association of Counties, and The Urban

League have all embraced and supported as a concept. There are always disagreements on the particular details. But the thought and the concept is something with which a number of the groups have been working and have a good deal of familiarity.

But I again want to indicate that we look forward to working as best we can with the Senator from Indiana. And I am hopeful that we will have a productive outcome.

Senator **Quayle**. I hope so. I mean, it is just a lot easier to move things forward——

The **Chairman**. Sure.

Senator **Quayle** [continuing]. You and I are both result oriented, and we like to move things forward—and when there is some area of commonality and when we agree, you are going to be able to move these things forward a lot quicker where you have got the openness of the process, you have got the openness and the balance in the hearings on these things, and okay, here is what we really want to do as a committee.

Now, obviously, there are disagreements, and you will go ahead and say, well, here is what we are going to do—you have got control of the gavel—and you go ahead and do it. But I just think—and particularly as we all are interested in serving the people out there—that it is just a lot easier if we just sort of start from the ground floor and bring as many people in and just say, here is what we want to do; here is what we are talking about; what do you think about it? And then we will just sort of have at it. There is nothing wrong with the competition of ideas. You and I are both very, very straightforward in articulating our ideas.

The **Chairman**. I take note of the Senator—but when he hears the introduction for our second panel, where I will refer to his work in glowing terms he will recognize my commitment to working cooperatively. I think all of us acknowledge that he spent an extraordinary amount of time on the whole question of youth training and has courageously addressed this issue. I acknowledge that and look forward to working with you. I appreciate your comments.

Senator **Quayle**. Thank you, Mr. Chairman.

The **Chairman**. Senator Metzenbaum?

Senator **Metzenbaum**. Mr. Chairman, I want to commend you for holding this hearing at an early point in the Session. As I sit here and listen to your own presentation as well as the dialogue between you and the Senator from Indiana, it brings back a recollection to me of times when I was in the private world, when I was a businessperson and an attorney. And I remember those days when the cities of America were being burned down, whether it was in New Jersey or Cleveland or Boston or Washington or Chicago or Detroit or Los Angeles. And I remember that out of that, there was a sense of consternation, fear, concern, fright in the American business community.

And I remember here, at the Sheraton—the old Sheraton Park, I think it was called—the largest convocation that I had seen of businesspeople, labor people, and others who were concerned about what might be done about the problems that existed on the streets of America, where people were rising up in protest against the conditions under which they were living.

Out of that came The Urban Coalition. The Urban Coalition accepted its responsibility to see to it that jobs were available, that we quieted the waters and tried to give every American an opportunity for a job.

Now, as I sit here, I share with you the concern that I have had—it is not a new concern; it is one that has been sort of festering within me—concerning the fact that 40 or 45 percent of the young blacks of America are today, at this minute, walking the streets of America. I believe that to be a seething cauldron, a seething cauldron that at some time, the top blows off.

I have been concerned about this issue not for one day or one week or one month, but now for several years. Nothing has bothered me more than when somebody walks up to me on the streets of America and says to me, "What are you going to do about helping me get a job?" and I cannot give them an adequate answer. I am a United States Senator, but I do not have an answer for him, and I do not want to kid him.

I am planning to introduce an initiative on disadvantaged youth. But I cannot sit here and tell you that that is the answer. I am not sure that the JTPA program, no matter how it is operated, is the answer. But I believe that there is no more challenging issue facing all of us in Congress, facing the business community, facing the labor community, facing the American people, than that of finding a way for those young blacks, some young whites, who cannot find a job to become a part of the mainstream.

I hear of a lot of programs having to do with drugs and various other subjects, and I am concerned, and I share the concern of all Americans with respect to those problems. And the answer is: Just say no. I would like to be able to just say yes to every young American, black or white, who wants a job. I believe that that is a special kind of responsibility.

There are many in this audience who have initiatives of their own, who have innovative ideas. I do not believe that we in the Congress have any special license or any special kind of God-given direction to tell us what the program should be, or some new ideas.

Recently, my own staff came to me with a program where we would spend "x" million dollars and solve the problem for "x" number of young people. I think there are better ideas. I think there are better ideas.

And I just want everyone in this audience or anyone else within range of my voice to know that this Senator is looking for some new initiatives, and if you have them, we would be willing to listen to you, and we would be willing to share our thoughts and particularly share your thoughts with us.

I think this is one of the most challenging problems facing America today.

Thank you, Mr. Chairman.

The CHAIRMAN. Very good.

Senator Hatch?

Senator HATCH. Thank you, Mr. Chairman.

I think it is clear to everyone that our nation's welfare system does need reform. Our current system, it seems to me, has created dependency when it was supposed to lift people out of temporary hardship. It has made their hardship long-term by discouraging participation in the workforce, and it has disrupted family life.

Mr. Chairman, the system is well-intentioned, but its results are a disgrace. How have we failed? I look forward today to hearing some answers from our witnesses, but I hope we all realize that the solution to the problems involved in the welfare system will require considerable attention to more than just one single program.

For example, the system itself is cumbersome. I would venture that not even social workers realize all of the government programs in existence to help those in need.

A report released last July by the General Accounting Office identified 95 Federal programs designed to help fight the war on poverty alone. Now, how can we possibly expect such a disjointed attack on poverty to succeed?

Additionally, the system as currently designed may discourage participation in the labor force. There is something wrong with a system that penalizes work. I do not fault the welfare recipients, Mr. Chairman. They are only making logical economic decisions. I fault the system, and we will all have to share blame if we allow it to continue in its present form.

The system has also failed to help families, which ought to be its main mission. The largest Federal welfare program on the books, Aid to Families with Dependent Children, requires single, mother-only households as a pre-condition to receipt of benefits. It is a tribute to the compassion of several individual States, including Utah, that they are successfully experimenting with ways to overcome this inequity.

One of the keys to the door of opportunity, Mr. Chairman, is job training, which has traditionally been a bipartisan issue. I believe we can be justifiably proud of the Job Training Partnership Act and what it has achieved in its short three and a half-year history. We must now resist the temptation to load JTPA with other functions and burden it with additional requirements. That was one of the reasons that CETA collapsed—Congress kept expanding it to address other problems until it became so encumbered that it could no longer effectively train people for jobs.

We also must resist the temptation to discount JTPA's accomplishments on the basis of "creaming". It is easy to say that JTPA is inadequate because the performance standards encourage States and local service delivery areas to serve those needing the least amount of help.

"Creaming" may indeed be a reality. But we cannot assume that those two and one-half million people who have participated in JTPA programs since 1983 did not need the help.

I commend you, Mr. Chairman, for making welfare reform a priority for the Committee this year, and I look forward to working with you on a constructive, positive proposal.

I would like to welcome all of our witnesses to the Committee at this time, and I want to express my appreciation for their presentations this morning.

Thank you, Mr. Chairman.

The **CHAIRMAN**. Thank you very much.

Our first panel consists of Dr. David Ellwood, Professor of Public Policy at Harvard University, John F. Kennedy School of Public

Policy; and Robert Greenstein, who is Director of the Center for Budget and Policy Priorities in Washington. We are delighted to have both of you here.

Professor Ellwood?

STATEMENT OF PROF. DAVID ELLWOOD, JOHN F. KENNEDY SCHOOL OF PUBLIC POLICY, HARVARD UNIVERSITY, CAMBRIDGE, MA; AND ROBERT GREENSTEIN, DIRECTOR, CENTER FOR BUDGET AND POLICY PRIORITIES, WASHINGTON, DC

Professor Ellwood. Mr. Chairman, members of the Committee, I want to thank you for inviting me to testify today.

Welfare reforms are finally getting some much-needed attention, and although the budget situation seems to leave rather limited room for major reforms, there clearly are pressing issues that deserve our attention, as the opening statements suggested.

Fortunately, there are some cases where our desire to help really does coincide with our desire for fiscal prudence, and I would argue that targeting programs to help long-term welfare recipients is such an example.

A dangerous myth is starting to emerge, or has gone on for some time, and that is the myth that all those on welfare become long-term users, heavily dependent on the system.

In fact, Aid to Families with Dependent Children, AFDC, is clearly a transitional program for the majority of people that use it. More than half of those who start on welfare will receive money in no more than two consecutive years. Even accumulated over a lifetime, the majority will receive it in less than four different years.

Most people use welfare to get on their feet after a divorce or separation, or birth of a child, and they rather quickly leave when they find adequate work, marry or reconcile, or find some other form of support.

There is, however, a minority of people going onto welfare who end up using it for an extended period. Perhaps one-quarter of those who go on AFDC will end up collecting it for nine years or more, though not necessarily in nine consecutive years.

This probably overstates the extent to which they are dependent, because they often have other sources of income, notably their earnings. Nevertheless, this long-term welfare use is troubling for both human and fiscal reasons.

The human issues are obvious. Most Americans are troubled by the vision of children literally growing up poor and on welfare. The fiscal costs also loom large. I estimate that the 25 percent of recipients who stay on AFDC for nine years or more account for 60 percent of the costs of the program. The reason is simple enough. One welfare recipient who stays on nine years will collect as much welfare as nine who stay on for one year.

Thus, if we could find a way to support the potentially long-term recipient become self-supporting, we would simultaneously help the truly needy and the truly costly.

We can make reasonably good predictions about who the long-term recipients will be. It should come as no surprise that the group most at risk are young, never-married mothers who come on welfare shortly after the birth of a child or with very young children.

Other factors seem to contribute heavily as well. High school dropouts, those with little previous work experience, and mothers with a large number of children all seem to have much longer than average welfare stays.

I will leave it to others today to talk about what can be done for these people, but it is clear that there are programs and a variety of experiments going on that seem to have made a real difference.

Now, the facts about long-term dependency are pretty obvious to welfare administrators and anyone who studies or who has thought about poverty and welfare. What is transparent also is that if you are going to help these people, it is going to require some sort of serious extra help.

The tragedy is that our current policies do little to move people off welfare, and what services are offered are usually focused on those short-term recipients, the ones that really need the help the least—which is not to say they do not need help—and the ones that are least costly to the system.

So the question is why has this happened. I think the answers there are fairly straightforward as well. Part of the problem is the statutory requirements of WIN and similar programs. Because, I think, of an understandable reluctance to place too many demands on mothers of young children, the Congress has set up WIN rules to exempt women with children under six. These rules are not meant to deny those who have young children, but in practice the limited WIN dollars have gone to serving those with older children. And, as I have already noted, those with young children are often the people who are likely to stay on the longest.

Another part of the problem comes from a preoccupation with placement rates. The simplest and most obvious way to measure performance of a training program is to count how many people have been placed in jobs. Yet the easiest people to place are those with good work experience, good education and no impediments to work. These are the same people who tends to have short stays on welfare, people who often can get off quickly by themselves.

By contrast, if one works with the potentially long-term recipient, placement rates will be lower, but the fiscal benefits may be much higher. These people would not be able to do much on their own, and intervention can make a big difference, both personally and fiscally.

And the final problem is fiscal. The long-term recipients need more intensive training and support services. Those with poor education need classroom training. Those with young children often need day-care. These can be expensive services. Supported work experiments showed, though, that relatively high-cost programs can be justified because over the long term, the gains are so high. The simple rule is that it takes money to save money. Unfortunately, budgets are so tight for such programs that the natural tendency is to instead run inexpensive programs for as many people as possible. Not surprisingly, the long-term recipient gets too little or nothing at all from such programs.

So the statutory, performance and fiscal pressures encourage administrators to ignore the cases that they ought to be concentrating on. So when a young, never-married woman has a child and starts on AFDC, she may not get any services or counseling or anything until her child is six.

Indeed, if there were other children, she could wait ten years before getting any benefits. Even when she gets help, the services are likely to be meager.

Similarly, the high school dropout or the woman who has never worked is left to languish on welfare with little real help to get off the program. These people are left with little option but to remain on AFDC. Frankly, I consider such a policy both fiscally and morally irresponsible.

We are at last turning towards helping these people. There are some promising beginnings. In some States, there are serious attempts being made to move welfare recipients into work and to target special services on the long term. There is far more work to be done, but little will be done until we find more ways to remove the statutory, administrative and fiscal barriers which are serving to perpetuate the system which avoids serving the prospectively long-term recipients.

We need to find ways to encourage and reward administrators for serving such clients.

Let me also, though, urge you to do more than just simply setting up some incentives to place long-term recipients. It seems to me that—and this is very much in reinforcing the statements of Senator Metzenbaum—we do not know exactly what works; we do know when it works; we have tried lots of things. And many States are beginning to learn some things, and we are doing a variety of kinds of experimentation.

But let us make sure as we encourage experimentation and as we look to States for answers and to public and private ventures for answers, that we try and learn as much as we can from these experiences. And unfortunately, the dynamic nature of AFDC, the whole statement that I started with, which is that many people move on and off quickly, and the multitude of factors which influence who goes on and who goes off welfare, make it virtually impossible, in my opinion, to learn very much about what works for whom unless you have a very serious set of evaluations and in this case, typically you really have to have a randomized control group. This may sound like academic pie in the sky, but in fact, we are starting to learn some things about who we can help, and mostly they are coming through experimentation through groups like the Manpower Demonstration Research Corporation, which has done randomized control group experiments with work-welfare demonstrations.

Virtually all we know comes from such experiments. In the future, many things are going to be tried that will not work well. Some services will work with some groups and not others.

I understand the desire to spend every dollar on services, and I recognize that there are legitimate ethical questions associated with giving services to one group and denying them to a control group. I realize that such evaluations place burdens on overtaxed administrators. Yet many States are already voluntarily participating in such evaluations. And I implore you, not so much as an academic, but more as a concerned citizen who wants to spend our very limited resources to really help the truly needy—do not waste this opportunity to learn.

I am absolutely convinced that without carefully-constructed evaluations using randomized control groups, we will never learn very much about the best way to help; at best, we will learn slowly.

Two final words of caution. Targeting, which I have obviously emphasized, which is handled badly is dangerous, because it can make people feel stigmatized or isolated. And we do not want to create a system that offers help only to those with the greatest impediments, for it can create the wrong impression about what is being rewarded. People certainly should not be penalized for having finished high school or for having worked previously.

Finally, I would like to suggest that we not be fooled into thinking that this is a panacea. These programs are not going to solve the entire welfare problem. Welfare is caused by a variety of factors, some of which involve training, some of which involve the fact that many women have children in their care, and full-time work, which is what it takes to get off welfare, even that often is not sufficient to push you off the welfare program. Jobs are often not available.

So if we really want to make a long-term difference of a sizeable magnitude, it is going to take something far more comprehensive.

Nonetheless, we can take very important steps in focusing our resources, our energy and our compassion on the long-term welfare users, and finding ways to help them move off welfare would be a very important step forward, both for human and for fiscal reasons.

Thank you very much.

[The prepared statement of Professor Ellwood follows:]

Testimony Presented by

David T. Ellwood
Associate Professor of Public Policy
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To the United States Senate
Committee on Labor and Human Resources

January 21, 1986

TESTIMONY OF DAVID T. ELLWOOD

Mr. Chairman and members of the committee, I want to thank you for inviting me to testify before you today. Welfare reforms are finally getting some much needed attention, and though the budget situation seems to leave rather limited room for major reforms, there are serious and pressing issues that deserve attention. Fortunately there are some cases where our desire to help coincides with our desire for fiscal prudence. Targeting services to likely long term welfare recipients is one such case.

A dangerous myth persists that all people who go on welfare become long term users heavily dependent on the system. In fact Aid to Families with Dependent Children (AFDC) is clearly a transitional program for the majority of people who ever use it. More than half of those who start on welfare will receive money in no more than 2 consecutive years. Even accumulated over a lifetime, half get welfare in less than 4 years. Most people use welfare to get on their feet after a divorce or separation or birth of a child, and they rather quickly leave when they find adequate work, marry or reconcile, or find some other form of support.

There is, however, a minority of people going onto welfare who end up using it for an extended period. Perhaps a quarter of those who go on AFDC will end up collecting it for 9 years or more (though not necessarily for 9 consecutive years). This probably overstates the extent of dependency since many people have other sources of income, particularly earnings. Nonetheless, this long term welfare use is troubling both for human and for fiscal reasons.

The human issues are obvious. Most Americans are troubled by the vision of children literally growing up poor and on welfare. The fiscal costs also loom large. I estimate that the 25% of recipients who stay on AFDC for 9 years or more account for 60% of the costs the program. The reason is simple enough. One welfare recipient who stays on 9 years will collect 9 times as much money as one who stays on for 1 year. Thus if we could find a way to help a potentially long term recipient become self-supporting, we could simultaneously help the truly needy and the truly costly.

We can make reasonably good predictions about who the long term recipients will be. It should come as no surprise that the group most at risk are young, never married mothers who come on welfare shortly after the birth of a child. But other factors seem to contribute heavily as well. High school dropouts, those with little previous work experience, and mothers with a large number of children all seem to have longer welfare stays.

These facts all seem obvious to welfare administrators and anyone who has thought much about poverty and welfare. What is also transparent is that if these people are to make the transition to self-support quickly and thereby avoid long stays on welfare, they will need need extra help. The tragedy is that our current policies often do little to move people off of welfare and what services are offered are usually focussed on those likely to be short term recipients, rather than on those who need the help the help most. Why has this happened?

Part of the problem is the statutory requirements of WIN and similar programs. Because of an understandable reluctance to place too many demands on the mothers of young children, the Congress has set up WIN rules exempt women with children under 5. These rules are not meant to deny aid to those with young children, but in practice the WIN dollars have gone to serving those with older children.

Another part of the problem comes from a preoccupation with placement rates. The simplest and most obvious way to measure the performance of a training program is to count how many people have been placed in jobs. Yet the easiest people to place are those with good work experience, good education, and no impediments to work. These are the same people who tend to have short stays on welfare. By contrast if one works with the potentially long term recipient, placement rates will be lower. But the fiscal benefits may be much higher. These people would not be able to do much on their own and the intervention can make a big difference.

The final problem is fiscal. The long term recipients need more intensive training and support services. Those with poor education often need classroom training. Those with young children need day care. These are expensive services. The Supported Work experiments showed that relatively high cost programs can be justified because the gains over the long term are so high. The simple rule is that it takes money to save money. Unfortunately budgets are so tight for such programs that the natural tendency is to run inexpensive programs for as many people as possible. The long term recipient get too little or nothing at all.

So all of the statutory, performance, and fiscal pressures encourage administrators to ignore the cases that they ought to be concentrating on. And so when a young, never-married woman has a child and starts on AFDC, she may not get any services or counseling or anything until her child is 6. If she has another child the wait will be still longer. Even when she gets help, the services are likely to be meager. Similarly the high school dropout, or the woman who has never worked is left to languish on welfare with little real help to get off the program. These people are left with little option but to remain on AFDC. Frankly I consider such a policy both fiscally and morally irresponsible.

We are at last turning towards helping these people. There have been some promising beginnings. In some states, there are serious attempts being made to move welfare recipients into work and to target special serves on the long term. There is far more work to be done. But little will be done if we do not find a way to remove the statutory, administrative, and fiscal barriers to serving the prospectively long term recipient. We need to find ways to encourage and reward administrators for serving such clients.

Let me urge you to do even more than set up some incentives to place long term recipients though. It is absolutely essential that we allow and encourage states to experiment with different ways to help welfare clients. The truth is that although, we are starting to serve such clients, we have much to learn about what services work best. Much of the most interesting experimentation has been occurring at the state level. Since we have no easy answers, trying lots of different alternatives makes sense.

Yet the dynamic nature of AFDC and the multitude of factors which influence who goes off welfare and when make it virtually impossible to be sure which programs are most effective with long term recipients (or short term recipients for that matter) unless the programs are evaluated with randomized control groups. Virtually all that we know now comes from a very limited number of experimental programs which were carefully evaluated. In the future, many things that are tried won't work. Some services will work with some groups and not with others. Still other programs will look expensive up front, but ultimately will save a great deal of money.

I understand the desire to spend every dollar on services. I recognize that there are ethical problems with giving services to one group while denying them to a control group. I realize that such evaluations place burdens on overtaxed administrators. Yet many states are already voluntarily participating in carefully constructed evaluations, often being done by Manpower Demonstration Research Corporation. I implore you, not so much as an academic who studies these issues, more as a concerned citizen who wants to spend our very limited resources to help the truly needy, don't waste this opportunity to learn. I am absolutely convinced that without carefully constructed evaluations using randomized control groups, we will never really learn how best to help. At best we will learn very slowly and at great expense.

One final word of caution. Targeting which is handled badly can instead make people feel isolated and stigmatized. Moreover, we don't want to create a system that offers help only to those with the greatest impediments, for it can create the wrong impressions about what is rewarded. People certainly should not be penalized for having finished high school or for having worked previously.

I do not believe that modest changes in our welfare system will eliminate long term welfare use. For that we need much more comprehensive reform. But finding a way to focus resources on long term recipients and learning about the best ways to help these people will be an important step forward. It will be a step with both human and fiscal rewards.

The CHAIRMAN. Mr. Greenstein.

Mr. GREENSTEIN. Thank you, Mr. Chairman.

I appreciate the opportunity to testify here today. I would like to apologize to the Committee that you do not have a prepared statement in front of you. It should be here any second, I think. It is on its way over right now.

During the months ahead, Congress seems likely to consider work-and-welfare legislation. While there are opportunities to improve work and training programs, there is also a danger here—the danger which David Ellwood just mentioned of overselling what the programs can accomplish.

Properly-designed work-and-welfare programs can yield positive gains and are certainly worth undertaking. We should keep in mind, however, that the improvements are modest. By themselves, and in the absence of other action, these programs are unlikely to produce the massive dent in welfare rolls, long-term dependency or the underclass that some have implied can be achieved.

As one element of a multi-pronged strategy, these efforts are laudable. My concern is that if political leaders come to believe that work-and-welfare efforts alone will produce major gains and that little else need be done, they will likely find several years from now that the extent of poverty and dependency is not much different from what it is today.

This conclusion emerges from the findings of the Manpower Demonstration Research Corporation, which is analyzing work-and-welfare programs in a number of States. As David Ellwood has just noted, many welfare recipients are short-term recipients, and the MDRC studies show that many people who go through these programs and find jobs would have found jobs on their own even if the programs did not exist.

The most important test of the effectiveness of the programs, we have learned, is not the number who go through the programs and find jobs, but rather the number who find jobs who would not have found them on their own, or would not have found as good jobs or gotten them quite as quickly.

What the MDRC results show is that in the programs studied, employment rates among AFDC mothers are three to eight percentage points higher than would be the case in the absence of the program. A gain of three to eight percentage points is significant and makes the programs worth doing, but the modest nature of these gains should be kept in mind.

Moreover, that three to eight percentage point gain does not apply to the entire adult welfare population. Many welfare mothers are not subject to a work requirement because they have very young children or reside in an area where a program is not in operation. Programs usually exclude rural areas with high unemployment and few job opportunities.

So the employment rates go up three to eight percentage points for those who are covered by the programs, and most important, I think, in this area, we need to bear in mind that this result is for a group that is a fraction of the adult welfare population at a time when the adult welfare population comprises less than one-fourth of the non-elderly adult poverty population.

Jobless young men are usually not affected by these programs because they are generally not on welfare in the first place, and in States providing welfare to unemployed men in two-parent families, work-and-welfare programs have generated little or no gain in employment beyond the jobs these men would find on their own.

For example, in the San Diego program, often cited as an example of one of the more successful programs, 61 percent of those who went through the programs subsequently found jobs—an impressive statistic. But of those in the control group, 55 percent who had no treatment also found jobs; the gain was six percentage points.

The lesson I am trying to draw here is one that MDRC President Judith Gueron has recently made in something she has written, that we should neither glamorize and oversell these efforts nor dismiss them because the results appear small. She noted that "With gains that are not dramatic and limited savings, the programs do not promise to be the cure for poverty or a short-cut to balancing the budget, and that we should be careful not to oversell these programs and then discredit them when they fail to have massive results. On the other hand, these programs can be important, but that they are part of a solution, not the whole solution themselves. "Other reforms," she wrote, "changes in tax laws, educational reforms, training and retraining, child-support and job creation programs, are important complements" if we are to succeed in reducing poverty.

With that in mind, I would like to discuss a couple of elements involving having these programs be most successful or a better chance of being more successful.

Clearly, it would be important for us to learn from what has happened to date in various States as to how to structure the limited resources available to get the best bang for the buck.

One of the most important lessons we have at this time is that greater efforts need to be made to avoid "creaming", and more emphasis needs to be placed on reaching those with greater barriers to employment.

One shortcoming of many past efforts has been a tendency to provide training and job-related services to those with the least serious barriers to employment and those most likely to find jobs on their own, regardless of whether services are provided.

One of the key MDRC findings, and I think one of the most important findings, is that work-and-welfare programs seem to be most cost-effective with recipients who have greater barriers to employment. These are the people, as Professor Ellwood has just noted, who tend to stay on welfare the longest and require a disproportionate share of public assistance funds. Helping them leave the rolls can have a greater impact on costs, on reducing long-term dependency and on providing services to those who will find their way off welfare on their own after a relatively short period.

This indicates the need to allocate these resources prudently and that it would seem inadvisable to spread large portions of the limited resources over the massive short-term recipients who will leave AFDC rather quickly anyway, who do not have as great barriers to self-sufficiency and who account for a minority of total program costs. Doing so runs the risk of leaving insufficient resources available for the longer-term recipients who have greater barriers to employment and are likely to need more intensive and generally more expensive services to overcome these barriers. Ensuring that sufficient resources are targeted on those with greater barriers is quite important.

This suggests mounting more intensive programs directed to cover those with the greater barriers rather than spreading the resources so thinly over all able-bodied recipients who ever go on the rolls that little remains to provide the more intensive services to those who need the most help.

Now, how can we go about doing that? There is growing evidence that deficits in basic skills on the part of many low-income individuals are linked to increased welfare dependency, unemployment, teenage pregnancy and even crime.

Some AFDC recipients, moreover, have such low levels of education and basic skills that they have difficulty in finding jobs, in keeping jobs they find for extended periods, or in progressing beyond entry-level jobs paying sub-poverty wages. This suggests that building basic skills elements and educational components into work-and-welfare programs may be among the more positive things that can be done.

One way that some of those skills can be provided is through links with the JTPA program. In examining how best to mount programs for welfare recipients, we find that if States attempt to provide employment and training services for AFDC recipients solely within self-contained programs run by welfare departments exclusively for welfare recipients, States are likely to miss some of the best opportunities to assist these people.

Programs run by welfare departments often lack resources to provide basic skills improvements, links to private employers, and other important components that are available through broader employment and training programs.

Programs run by welfare departments typically consist of job search. Some also have workfare elements, but those generally do little to improve basic skills—I would note the E.T. Program as an exception to this pattern.

On the other hand, JTPA programs, GED programs, and other educational or training components can provide elements that welfare department programs may lack. This suggests that it is desirable to find ways to forge closer links between the welfare departments and the JTPA and educational programs.

In areas where these links work well, welfare departments screen and refer recipients for JTPA and other programs. In other areas, however, welfare and other education and training programs are separated by bureaucratic barriers, and when AFDC recipients make it into JTPA or educational programs, they often do it through their own persistence and with little or no aid from the welfare department. The bureaucratic barriers tend to exist at both ends of the street here.

Perhaps as a result of this, those AFDC recipients who are in JTPA seem on average to be those who are already more employable than the typical AFDC recipient. About half of all AFDC recipients registered for work under AFDC have a high school education or more, but about two-thirds of AFDC recipients now in JTPA have a high school education or more. Those being served thus seem to be not those who are the most disadvantaged.

This may suggest both problems from lack of coordination, bureaucratic barriers between welfare and JTPA, or also the JTPA emphasis on high placement rates and providing local employers with particularly employable people may be part of the problem.

Finally, I would like to mention a few words about basic skills and the needs to incorporate these elements in efforts that get beyond welfare recipients. Recent work shows that youth falling into the bottom quintile on basic skills as measured by the Armed Forces Qualifying Test are much more likely than youth with better skills to be jobless, school dropouts, on welfare, unwed parents, or arrested for suspected criminal activities.

Upgrading the basic skills of youth, such as reading and basic arithmetic skills, should be a critical ingredient of new public policies to address poverty and dependency.

Further evidence of the importance of attacking deficiencies in basic skills is found in the work of John Kasarda of the University of North Carolina. Kasarda found that from 1970 to 1984, all major Northern cities suffered significant job losses in industries where the average worker had less than 12 years of education, while experiencing job growth in industries where the average worker had higher education.

These findings have profound implications for minorities and inner-city youth. Kasarda found that essentially all of the national growth in entry-level and other low-education requisite jobs occurred in the suburbs and non-metropolitan areas, apart from the highly-concentrated areas of poorlyeducated urban minorities. This mismatch between the educational distribution and the minority residents, he wrote, is one of the major reasons why black unemployment rates have not responded well to economic recovery in major Northern cities.

This suggests that efforts to improve the education and skills of poor minority youth are quite important, but that such efforts will clearly need to involve much more than work-and-welfare programs for AFDC recipients. As noted earlier, those programs do not touch the vast bulk of the adult poor who are not AFDC recipients and do not reach unemployed young men who are largely outside the welfare system, nor do they address the need to improve education and skills during preschool and school-age years.

So that I would hope your effort to look at how to improve skills for welfare recipients would be part of a larger effort to enhance the basic skills and human capital of low-income children and youth in general. Programs such as Head Start and Job Corps have a proven track record in this area, but only reach a small percentage of the eligible population and could be expanded. Increased investment could be made in special education efforts, possibly through extending some form of compensatory education into secondary schools. Consideration could be given to a basic skills initiative for high school dropouts in low-income areas.

In closing, let me just mention something I read a couple days ago and was struck by in a recent speech by Senator Domenici. He commented that despite the problems with the deficit, we have unmet needs we need to invest more heavily in, and that among these are the seamless web of poverty, homelessness and mental illness; that among the areas requiring more investment was welfare; and that there are other less critical areas we could retrench from in order to free up those resources. I would hope in the 100th Congress that such effort is taken.

Thank you.

[The prepared statement of Mr. Greenstein follows:]

STATEMENT OF ROBERT GREENSTEIN

DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES
before the
SENATE LABOR AND HUMAN RESOURCES COMMITTEE
January 21, 1986

I appreciate the opportunity to testify here today. I am Robert Greenstein, director of the Center on Budget and Policy Priorities. The Center is a non-profit research and analysis organization that focuses on public policies affecting low income Americans.

I would like today to discuss issues related to work and welfare. Lately when the subject of work and welfare is raised, there is a tendency for the discussion to concentrate on work and training programs for welfare recipients to the exclusion of other issues relevant to the work and welfare area. As I will discuss shortly, these are some other important issues that I hope the Committee will explore. Nevertheless, I would like to begin by focusing on work and training programs.

Work and training for welfare recipients

During the months ahead, Congress seems likely to consider work-and-welfare legislation. While there are opportunities to improve work and training programs, there is also a danger here -- the danger of overselling what these programs can accomplish.

Properly designed work-and-welfare programs can yield positive gains and are worth undertaking. We should keep in mind, however, that the improvements are modest. By themselves, these programs are unlikely to produce the massive dent in welfare rolls, long-term dependency, or the underclass that some have implied can be achieved. As one element of a multi-pronged strategy, work-and-welfare efforts are laudable. Yet if political leaders come to believe that work-and-welfare efforts alone will produce major gains and that little else need be done, they will likely find several years from now that the extent of poverty and dependency is not much different from what it is today.

This conclusion emerges from the findings of the Manpower Demonstration Research Corporation (MDRC), which is analyzing work-and-welfare programs in 11 states. Many welfare recipients are short-term recipients (about half of all recipients who go on welfare leave the rolls within two years); MDRC's studies show that many people who go through these work-and-welfare programs would find jobs on their own even if the programs did not exist. The most important test of the effectiveness of work and training programs, MDRC has taught us, is not the number of recipients who go through the program and then find jobs, but rather the number finding jobs who would not otherwise have found jobs on their own (or who would not have found as good jobs on their own or found jobs quite as quickly).

The MDRC results show that in successful programs studied, employment rates among AFDC mothers are three to eight percentage points higher than would be the case in the absence of the programs. An employment gain of three to eight percentage points is significant and makes such programs worth doing. But the modest nature of these gains must be kept in mind.

Moreover, the three to eight percentage point gain does not apply to the entire adult welfare population. Rather, the results show that of those welfare mothers who are both subject to a work requirement (i.e., those who do not have very young children) and reside in an area where a work-and-welfare program is in operation (which usually excludes rural areas with high unemployment and few job opportunities), employment rates are about three to eight percentage points higher than in the absence of the program. Thus, the programs boost employment for three to eight percent of a group that is itself only a fraction of the adult welfare population, at a time when the adult welfare population constitutes less than one-fourth of the non-elderly adult poverty population. Jobless young men are rarely affected by these programs, since they generally are not on welfare in the first place. And in states providing welfare to unemployed men in poor two-parent families, work-and-welfare programs have generated little or no gains in their employment beyond the jobs these men find on their own.

Part of the reason for misconceptions about the extent of the accomplishments of these programs is that some states have released very impressive figures about the number of people who have been served by the programs and then landed jobs. Such figures do not tell us much about the impact of a program, however, unless we know how many of these jobs were due to the program as distinguished from the jobs that recipients would have found in any case on their own.

In the San Diego work-and-welfare program, an often-cited example of a highly successful program, the proportion of AFDC applicants who were enrolled in the program and then went to work (even if only briefly) was 61 percent, which sounds outstanding. But the proportion of the applicants placed in a "control group" (i.e., not enrolled in the work-and-welfare program) who then went out and found jobs was 55 percent. The gain due to the program was six percentage points. Moreover, there were no significant employment gains for men in the San Diego program, a common finding in the MDRC evaluations. A recent MDRC report on West Virginia's program found that the work-and-welfare program produced no employment or earnings gains in that state, even for welfare mothers. As MDRC noted, program planners in West Virginia did not expect significant gains, due to the state's weak economy and lack of jobs. The findings show, MDRC observed, "the limited role that [the program] is likely to play in improving the employment prospects of welfare mothers in a rural environment with high rates of joblessness."

Judith Gueron, MDRC's president, has cautioned that work-and-welfare initiatives should be neither glamorized and oversold, nor dismissed because the results appear small. "For those accustomed to grandiose claims for social programs," she has written, "the outcomes for the current work/welfare programs...may look small. With gains that are not dramatic and limited savings, the programs do not promise to be the cure for poverty or a short-cut to balancing the budget....In contrast to the past, when social programs have been oversold and then discredited when they failed to cure problems, these findings provide a timely warning that the state work mandates will be no panacea, but can provide meaningful improvement.... However, the limited magnitude of the improvement suggests that work requirements can only be part of a 'solution.' Other reforms -- changes in the tax laws, educational reforms, training and retraining, increased child-support programs, job creation programs -- are important complements if welfare programs are not only to be made more politically acceptable, but also to succeed in reducing poverty."

Targeting for greatest effect

If expanded work-and-welfare programs are to be part -- but not all -- of a larger strategy to reduce poverty and increase chances for self-sufficiency, they will need to be carefully structured to get the best return for the limited resources likely to be available. While there is a general consensus that states should continue to be given broad flexibility to experiment in this area, the fact is that federal performance standards will strongly influence state decisions on the types of work-and-welfare programs to run. As a result, federal decisions in this area can enhance or detract from the quality of state efforts.

Therefore, it is useful to apply what has been learned to date from state programs. One of the most important lessons at this point is that greater efforts need to be made to avoid "creaming" (concentrating services on the most employable persons) and more emphasis placed on reaching those with greater barriers to employment.

One shortcoming of many past employment and training efforts has been a tendency to provide training and other job-related services to those who have the least serious barriers to employment and are most likely to find jobs on their own regardless of whether services are provided. While this enables program managers to claim a larger number of "job placements," it is generally not the best use of public resources.

One of the key findings of the MDRC research is that the work-and-welfare programs seem to be most cost-effective with those recipients who have greater barriers to employment. These individuals tend to stay on welfare the longest and require a disproportionate share of public assistance funds. Consequently, helping these persons leave public assistance rolls has more of an impact on public assistance costs and on reducing long-term dependency than providing job-related services to those who will find their own way off welfare after a relatively short period on the rolls.

This distinction is made even more significant by data on the dynamics of welfare receipt. Of those families who ever go on welfare, half leave the rolls within two years and only one-sixth stay on the rolls consecutively for eight years or longer. Yet at any single point in time, more than half of those on the rolls are long-term recipients, and these families account for more than half of AFDC benefit costs.

Moreover, some of those who leave AFDC rolls later go back on welfare. In most of these cases, a family leaves welfare and achieves a measure of self-sufficiency, but then moves back to welfare after a separation, divorce, or earnings decline. David Ellwood has examined the total amount of time a family spends on AFDC, including circumstances in which a family's time on the rolls consists of more than one spell on the program. He has found that half of those who ever receive AFDC will receive it for four years or less, but that 24 percent will eventually use it for ten or more years. Of those on AFDC at any period in time, close to 60 percent will receive welfare for at least 10 years.

These statistics, along with the MDRC findings of greater cost-effectiveness for those with more serious employment barriers, underscore the need to allocate work-and-welfare resources prudently. It would seem inadvisable to spread large portions of the available resources over the mass of short-term recipients who will leave AFDC rather quickly anyway, who do not have as great barriers to self-sufficiency, and who account for a minority of total program costs. Doing so runs the risk of leaving insufficient resources available for those longer-term recipients who have greater bariers to employment and are likely to need more intensive (and, generally, more expensive) services to overcome these barriers. As a result, ensuring that sufficient resources are targeted on those with greater barriers to employment makes sense from both a fiscal and a human standpoint.

As noted, people who will have longer histories of welfare enrollment generally require more intensive services to break down employment barriers. This suggests mounting more intensive programs directed at such people, rather than spreading resources so thinly over all able-bodied recipients who ever enter the welfare rolls that little remains to provide the more intensive assistance to those who need help most.

During the coming year, consideration is likely in Congress of legislation to expand requirements for states to run work-and-welfare programs while increasing federal funding for such efforts -- and coupling the increased funding with some sort of performance standards. If not carefully designed, such standards can do as much harm as good. Standards based solely or primarily on the numbers or percentages of recipients enrolled in work-and-welfare programs -- or on the number who go through these programs and then find jobs -- can result in misdirected incentives to spread services too thin and to engage in creaming. Such standards are likely to take what are modest, though important, gains from these programs and make the gains still smaller.

Federal provisions specifying the types of work-and-welfare activities that can be supported with federal funds are also of considerable importance. For example, past Administration proposals that would not allow educational components to be part of these programs would likely reduce program impact. There is growing evidence that deficits in basic skills on the part of many low income individuals are directly linked to increased welfare dependency, higher rates of unemployment, teen-age pregnancy, and crime. Some AFDC recipients have such low levels of education and basic skills that they have difficulty finding jobs, cannot keep jobs for extended periods of time when they do find them, and cannot progress beyond entry level jobs paying sub-poverty level wages. Building educational components into work-and-welfare programs -- including basic skills components, programs leading to general educational development (GED) degrees (the equivalent of high school diplomas), and the like -- may be among the most positive elements of the programs for those with the most serious employment barriers.

JTPA and welfare recipients

In examining how best to mount programs for welfare recipients, another point emerges. If states attempt to provide employment and training services for AFDC recipients solely within self-contained programs that are run by welfare departments and limited to welfare recipients, states will miss some of the best opportunities to assist these people. Programs run by welfare departments often lack the resources to provide basic skills improvements, links to private employers, and other important components that are available through other employment and training programs. Programs run by welfare departments typically consist largely of job search. Some areas also have workfare elements; these generally do little to improve skills.

On the other hand, JTPA programs, GED programs, and other educational or training components can provide the elements that welfare department programs often lack. This suggests that it would be desirable to find ways to forge closer links between the welfare departments and the JTPA and educational programs. In areas where these links work well, welfure departments screen and refer recipients for JTPA and other programs. In other areas, however, welfare programs and other training and education programs are separated by bureaucratic barriers: When AFDC recipients make it into JTPA or educational programs, they do it through their own persistence and with little or no aid from the welfare department. This is not to suggest that welfare departments are those primarily at fault -- the bureaucratic barriers often exist at both ends of the street.

Moreover, those AFDC recipients who do participate in JTPA seem, on average, to be those who already are more employable than the typical AFDC recipient. About half of all AFDC recipients registered for work under the AFDC program have at least a high school education. But about two-thirds of AFDC recipients enrolled in JTPA have at least a high school education. Those AFDC recipients being served by JTPA thus may not be the most disadvantaged. This may, in turn, be related to the emphasis in many JTPA programs on high job placement rates and on providing local employers with persons who are most employable. As noted, it may also be related to the lack of strong referral and coordination mechanisms in many areas between welfare departments and JPTA providers.

Other issues

While employment and training programs for welfare recipients are important, there are many other areas that also should be addressed if we wish to promote self-sufficiency. While it is beyond the scope of this testimony to explore these other areas fully, they include the following:

Improving incentives to work

Changes to strengthen the rewards and incentives for working are needed. One modest change that would help concerns the reduction of AFDC benefits when a welfare recipient works and receives an earned income tax credit (EITC).

The earned income tax credit, broadened by last year's tax reform act, is designed, in part, to offset some of the Social Security payroll tax burden for low income working families with children. Yet one group of working poor families is effectively denied the EITC and provided no offset for payroll taxes: working families who receive AFDC.

At present, AFDC benefits are reduced one dollar for each dollar a family receives in the earned income tax credit. The credit thus has no value for AFDC families, and its intended work incentive effects are lost.

Moreover, since AFDC benefits are reduced a dollar for each dollar in earnings as well, the net effect can be to impose an effective marginal tax rate of more than 100 percent on AFDC mothers who work. For each additional dollar they earn, their welfare benefits drop a dollar -- while their payroll taxes increase without any EITC to offset them. The result can be a net loss in income as earnings rise.

Not counting the earned income tax credit against AFDC benefits would ease this situation and bring the marginal tax rate below 100 percent. It would also increase the income gains realized by working, thereby making AFDC mothers who work somewhat better off than those who do not.

Congress may also wish to consider modifications in current rules that can discourage increases in work among poor two-parent families with children receiving AFDC. In states electing to provide AFDC benefits to two-parent families with children that are poor enough to meet AFDC income and assets tests, the family is disqualified if the parent who is the principal wage-earner (usually the father) works more than 100 hours a month. If a father increases his work hours to more than 100 hours but the family is still below the AFDC income limits, the family is cut off AFDC (and after a brief period, off Medicaid as well in many states). Yet a single-parent family with the exact same income, and another two-parent family that has the same income but works fewer hours, would continue to receive benefits. If Congress wishes to encourage both work and family stability, it should consider easing the rigid "100-hour" rule.

The Working Poor

Improvements can also be made to better the conditions of the working poor and enhance the relative benefits of working rather than relying on public assistance.

Perhaps the most significant such step would be to continue the progress of the last several years in broadening access to health care coverage for poor families with children who are not on welfare. Limited measures increasing access to health care by non-welfare families with children were enacted in the Deficit Reduction Act of 1984, the Consolidated Omnibus Budget Reconciliation Act of 1986, and the Sixth Omnibus Budget Reconciliation Act enacted in October 1986. These steps need to be continued.

One possible modest step the new Congress could take would be to ease the transition from welfare to work by continuing Medicaid coverage for a period such as a year for AFDC mothers who leave the welfare rolls to take a job that does not provide health care coverage.

In addition, some of the provisions enacted in 1984 to improve access of poor children to Medicaid appear to need modification. These provisions extended Medicaid coverage to young children in two-parent families that have incomes below their state's AFDC income limits, but that are ineligible for AFDC either because their state bars two-parent families from receiving it or because the father works and is not considered "unemployed." (In states that provide AFDC benefits to two-parent families, the principal wage-earner, usually the father, must be unemployed for the family to qualify.) The 1984 provisions extended Medicaid coverage to poor children in such families born after October 1, 1983, until the children reach age five. While this was an important expansion of Medicaid coverage, it means that on October 1, 1988, when these children begin reaching their fifth birthdays, they will start being terminated from health care coverage.

There is no similar termination of Medicaid coverage at age five for children in AFDC families. The cut-off at age five effectively discriminates against two-parent families, particularly those two-parent families who work but are still quite poor. To remove this bias against two-parent families and to encourage work -- and also to assure adequate health care coverage for poor children in these families -- consideration should be given to phasing in an extension of Medicaid coverage for these children so that they are not cut adrift at age five.

In addition, efforts to expand employer-provided health coverage for the working poor would be of great importance, and would also result in government not having to bear the entire cost of necessary improvements in access to health care.

Finally, the minimum wage could be raised. The minimum wage has not been adjusted since January 1981 and has fallen 25 percent in purchasing power since that time. As Robert Resichauer has noted, from 1962 to 1979, a full-time year-round worker could earn enough at the minimum wage to support a fmily of three close to or slightly above the poverty line. The minimum wage would have to be increased to about $4.35 an hour to reestablish the standard that a minimum wage job should be capable of supporting a family of three at the poverty threshold. Of all working poor people paid at an hourly wage rate, more than half earn less than $4.35 an hour and would benefit from an increase in the minimum wage to this level.

Improving Human Capital

Recent work by Gordon Berlin, Andrew Sum, and Robert Taggart shows that youth falling into the bottom quintile in basic skills (as measured by the Armed Forces Qualifying test) are much more likely than youth with better skills to be jobless, school dropouts, on welfare, unwed parents, or arrested for suspected criminal activities. This work suggests that upgrading the basic skills of youth, such as their reading and basic arithmetic skills, should be a critical ingredient of new public policies to address poverty and dependency.

Further evidence of the importance of attacking deficiencies in basic skills emerges from work by John Kasarda of the University of North Carolina. Kasarda has found that from 1970 to 1984, all major Northern cities suffered significant job losses in industries where the average worker had less than 12 years of education, while experiencing consistent job growth in industries where the average worker had some higher education. These findings have profound implications for minorities and inner-city youth.

"Essentially all of the national growth in entry level and other low education requisite jobs has accrued in the suburbs, exurbs, and nonmetropolitan areas far removed from growing concentrations of poorly educated urban minorities," Kasarda observes. "The consequence is a serious mismatch between the current education distribution of minority residents in large Northern cities and the changing education requirements of their rapidly transforming industrial bases. This mismatch is one major reason...why black unemployment rates have not responded well to economic recovery in many Northern cities."

Thus, efforts to improve the education and skills of poor minority youth are quite important. Such efforts will need to involve more than work-and-welfare programs for AFDC recipients.

As noted earlier, work-and-welfare programs do not touch the vast bulk of the adult poor who are not AFDC recipients. In particular, these programs reach few unemployed young men, who are largely outside the welfare system. Nor do these programs address the need to improve education and skills during pre-school and school-age years.

Public policies are consequently needed that place more emphasis -- and more resources -- into efforts to enhance the basic skills and human capital of low income children and youth. Some programs -- such as Head Start and the Job Corps -- already have a successful track record in accomplishing these goals, but reach only small percentages of the target population. These programs could be expanded, with emphasis placed on assuring high quality services as these programs grow. Increased investment may also be needed in special education efforts from elementary through secondary school levels, possibly through extending some form of compensatory education into secondary schools and better targeting the compensatory education funds currently available in elementary schools.

Serious consideration should also be given to a "basic skills initiative" aimed at people such as high school dropouts, particularly in low income areas. Some private sector programs designed to upgrade basic skills have produced promising results, suggesting that such an initiative may prove to be a very sound investment. A basic skills initiative could start with a modest investment of funds and careful testing and evaluation. If successful, additional funds could be provided in subsequent years, with some of the resources being retargeted from other, less successful programs.

* * * * *

In closing I would note that while some of these actions would require additional resources, I would hope the Congress would recognize issues of poverty and self-sufficiency as an important national priority -- and be willing to transfer resources from other, less critical areas to meet these needs.

This is precedent for such an approach. Last year, Congress included a "Children's Initiative" in the Congressional budget resolution, which led to a modest broadening of Medicaid coverage for pregnant women and children from working poor families and to expanded funding for several high priority programs for low income children. The elements of the Children's Initiative were included in both the House and Senate budget resolutions; in both cases, the costs were more than covered by retrenchments in other domestic areas (such as General Revenue Sharing and Urban Development Action Grants).

The same pattern could be continued by the 100th Congress. In a recent speech, Senator Domenici spoke of "national needs that are...compelling and deserve new resources" and identified "welfare" as one of these needs. Domenici talked of a nation that is not adequately meeting "its social and moral responsibility in new problem areas," stating that "most pressing in my mind, is the seamless web of poverty, homelessness, hunger, and mental illness." He called for finding new resources for these needs by reducing spending in other less critical areas.

Similarly, House Budget Committee Chairman William Gray observed in a December 1986 address to the Democratic Leadership Council that the challenge is to "wisely prune back" less important areas of spending "to make room for the critical and the new," citing increased poverty among children as one of the critical areas needing to be addressed.

With the growing attention being placed on problems of poverty and the underclass, along with an emerging bipartisan consensus on the need for new measures to foster self-sufficiency, and polling data showing that a majority of Americans now believe government should do more to help the poor, it would be unfortunate if the 100th Congress missed the opportunity to make improvements in this area.

75:24

The **Chairman**. Thank you very much.

I would just mention that we are going to insist that we get the testimony before hearings. I think that is important, and I think you are familiar enough with Congress to know the significance of it just in terms of our own preparation.

We will follow a ten-minute rule.

Let me ask David Ellwood, given the fact that in your testimony and in your other writings and articles, you point out that the hard-core welfare recipient is really the most needy and the most costly, I gather that you think that it is reasonably predictable what amount of time they are going to spend on welfare. I am wondering what your studies have indicated in terms of what you think can be done to try and move them on track to get them off of that treadmill.

Professor **Ellwood**. Well, the fact of the matter is that we have done only a few programs where you can really look and see that they make a difference because they have been evaluated in a serious and comprehensive way.

The things that seem to have worked very well are things like supported work, which was a program that involved investment in training, gradually increased expectations, a variety of support services in place. There seem to be some modest effects of job search and the like.

I think other witnesses here can give you more insightful ideas about what their own programs have done. A lot of what I have looked at is more who have been the long-term recipients.

But the key is that in fact, we do not know too much about it because we have not done very much about those people. They come in and again, WIN says, "Gee, you have got a kid under six; we are not going to look at you." JTPA says, "Gee, this kind of person looks hard to serve."

And you can imagine what it is like for someone who is really genuinely interested in helping people. You have two clients. One has a high school education and some work experience, and you can find him a job, and you feel great. Somebody else has a lot more difficult problems, and the inclination is to say, "Oh, gee, they are hopeless. Let me concentrate on the people I can really help."

But in fact, what data we have seen from programs have shown that in fact a lot of those people that you wanted to help because they were so easy to help could have helped themselves, and the people who really need the help, where you make the biggest net gain, are those long-terms.

The **Chairman**. Well, in your evaluation of the various programs, do you think we are better off in terms of developing and fashioning an approach at the Federal level, or should we be giving the States the maximum flexibility? How are you recommending that we proceed?

Professor **Ellwood**. I would definitely encourage that you let as many flowers bloom as possible, but I think that in order to do that you are going to have to provide some incentives so that States both have the fiscal capacity to do something, but also so that you do not run into this sort of treadmill effect where the good States are the ones with the high placement rates, which of course ends up meaning that they are the ones that are serving the easiest-to employ and the people that you do not want to do—so I think—

The CHAIRMAN. That is the question. We will hear more about that later in the hearing, about what has been done with those who are more easily placed into employment. I think it is important that they do get some employment. But the question, now that we are targeting, is this other group and what kind of programs can be fashioned given the fact, as you have mentioned and Mr. Greenstein has mentioned, that it is reasonably predictable when they come in the front door that they are going to fall into "x" group. What kind of support programs should be set up in order to move them along.

That is what we are interested in getting your ideas on.

Professor ELLWOOD. And again, I think that there are some obvious things, like training and education programs, obviously some sort of child support; then, things like having some sort of Medicaid protection, things of that sort, I think, are all critical.

But let me just follow up a little bit on your earlier question, which my response was to let many flowers bloom; but let me also re-emphasize, while these people are fairly predictable, there are some that move off quickly, there are some that stay a long time. And there are some people who look like they would be short-term recipients and end up staying a long time.

So as a result of that, my own experience—and I have looked at a lot of these; I sit on various boards and so on—is that it is really very hard to judge when you look at a Massachusetts and then you compare it to an Illinois and you compare it to a Wisconsin, what is working real well for these particular subgroups of recipients, because of the fact that there is so much internal and dynamics in the program associated with labor market changes, associated with a variety of other things, that unless you are willing to have some sort of a control group sort of experiment, which has many problems, but it is very, very hard to judge.

I think that this is a group that the potential is so high if we really can find something to do, the costs in terms of human and fiscal costs are so great, that really, let a lot of flowers bloom, but find a way to learn from the various different States' experiences and to really move forward from that.

The CHAIRMAN. Is it your feeling that if you were able to develop some paths to move them off of welfare that the savings would be considerable in terms of the Federal and State expenditures?

Professor ELLWOOD. If you could find a way to do it, you could save—as I say, this 25 percent that is the longterm recipient is 60, 65 percent of your budget—so if you can find a way to do it, and that is a big "if", but if you can do it, the savings are potentially very high.

The CHAIRMAN. Let me ask Mr. Greenstein, given your own knowledge of the public assistance recipients and JTPA, what is your own sense about its effectiveness in moving the long-term recipients off public assistance, and what do you recommend we do to try and improve that record?

Mr. GREENSTEIN. This is an area, unfortunately, about which we know even less than we know in the AFDC area. David has been mentioning the need for these controlled experiments. They have been done in about 10 or 11 States in AFDC. They are just starting to be designed and mounted for the first time in JTPA. To the best of my knowledge, there are no results available now, showing JTPA impacts in that area.

But I do think it is of note to find that of the AFDC recipients who are enrolled in JTPA that they appear, at least from educational background, to be those who are more employable.

I think there are three sets of things that need to be done. First, on your question of should we impose Federal standards or give States flexibility, everybody in Washington talks about giving States flexibility. However—and I do not think this is necessarily inappropriate—every law and every set of regulations that come out of here have standards that, while giving States flexibility, heavily influence what they choose to do. There are two kinds of standards that I think have adverse influences and can be worse than no standards at all. One is participation standards where the Administration, for example, wants to have 60 percent of the AFDC recipients in these categories enrolled in various kinds of work-and-welfare programs. Well, to get 60 percent, you are going to have to cover large numbers of people who go off the programs quickly. The new food stamp regulations on employment and training do the same thing.

Another problem is the kinds of standards you have in JTPA and some other programs, where it is the number of people who get jobs after going through the programs. Again, these standards do not control for how many of those could get obs on their own in a short period, or would get them on their own in a short period.

The Federal government is always going to have various kinds of performance standards, so we need to look at the standards both in welfare and in JTPA, to find ways to modify the standards to give more incentive for placing either those who are already long-term, have been on for more than several years, or those who fit into the categories that David has researched who are most likely to be long-term people. We do not do very much of that now.

The other thing I think we need to do is to break down some of the bureaucratic barriers between AFDC and JTPA so that there are better, smoother referral mechanisms to put these long-term people into JTPA services.

The CHAIRMAN. Well, what are these incentives? Can both of you be more precise about the incentives to the States that are going to get them to move more significantly into this targeted area?

Mr. GREENSTEIN. I am not sure precisely what we should do, but clearly, if there are standards that determine in part how the allocations of moneys are distributed among States or within States, and if those standards are done largely on the basis of people who get jobs after going through the programs without any sort of weighting for the categories of people and who they are, that can have the wrong incentives. Perhaps we ought to look at setting up categories of people such as those who already are longterm recipients, or those who fall into the categories likely to be long-term, and placing a greater weight on placements for those people, when they go through things like JTPA. They would not be the sole categories you would want to do that for, but we should have certain categories that perhaps you place significantly greater weight on.

In the end, it is probably going to have to relate in some fashion to the allocation of funds in order to have the kind of effects you would want to have.

The CHAIRMAN. I would just ask Dr. Ellwood, and then my time is up.

Professor ELLWOOD. I guess I am in pretty much complete agreement with Bob Greenstein.

The other things that I would emphasize, though—I really am a firm believer that it is time to provide something to the mothers with very young children. The notion that someone can stay on welfare 10 years before anyone even hardly speaks to them seems to me just a very, very unfortunate and even dangerous set of policies.

So I think we also want to consider some way so that there are some statutory provisions indicating that mothers with young children, while perhaps not necessarily required to participate in extensive kinds of things, that administrators have to provide some services and certainly to the women with children over three, and preferably, as people come in the door.

So number one, I would think about how to ensure that administrators statutorily have to serve the groups that are not being served now; and then secondly, I think the financial incentives are critical. I mean, it really is much more expensive—it is a very simple notion—it is very much more expensive to serve a lot of these people. The gains are also much greater. If you have a system that rewards you for just the number of people you serve or whatever, you are not going to serve the long-termers, but in the end that is fiscally not as effective as a strategy.

So you have got to have some way where WIN funds or something like it, JTPA, where you somehow make more money for your training programs by working on and serving and placing those kinds of people. Now, there are problems with all of them, but I think that is an essential element.

The CHAIRMAN. Senator Metzenbaum?

Senator METZENBAUM. Dr. Ellwood and Mr. Greenstein, I found your testimony very interesting. I think you stated the problem well. I am not sure that you have stated the solution.

I think that if ever there was a time that we needed some innovative thinking, that this is it.

Dr. Ellwood, if you had total responsibility in the government to determine what the policy should be as pertains to the young people who are unemployed in this country at the moment—the young blacks—what one, single thing would you do or try to do, and do it perhaps without totally distorting the Federal budget?

Professor ELLWOOD. Yes, that is a nice, easy question, isn't it? [Laughter.]

Senator METZENBAUM. Yes, and we will give Mr. Greenstein a chance to think about it.

Professor ELLWOOD. Right. I would probably do two things, not one. The first thing I would do is figure out a way to fix up the schools, particularly in our inner-cities. The things that Bob Greenstein mentioned about the lack of basic skills and their association with a lot of these problems, some of the figures just showing—according to these tests, and you know, how reliable are the tests—nevertheless, it is really frightening, how little skills people are coming out with.

I have to believe that our school system can do better, and so I think that is number one.

Number two is that we have to find a serious way to say that if you do get out, and you are willing to work, we are going to find you some job. Now, I think we can do that. I would prefer not to do that by having some government "make work" job, or cleaning up the streets, or whatever—but I would pick that over nothing. And I think that figuring out a way to really strongly encourage private industries to employ people, particularly the motivated people, the people who have got the basic skills, does two things. Number one, it gives people a real chance, who deserve a chance; and number two, it sends a signal that, by gosh, if I work hard and do well in school and so forth, there is going to be something at the end of that; I can make it and can move ahead, and so on.

Now, I do not pretend that those are the answers, and I think you are absolutely right with your beginning. It is the old story, but it is funny that it is a story that seems to get worse and worse each year.

Let me just add one final point on that score. You presumably are familiar with the efforts of Eugene Lang in New York City. Now, this is a private effort, but I think there are some insights for us, too. He basically came to the sixth grade of a school in Harlem and said, "Listen, any of you who want to go to college, I will pay your way." He did not say much more than that.

Well, what happened? All of a sudden, people got really excited. Their parents started saying, "If you blow this one, I will never forgive you." And as a result, from what you can read in the paper and so forth, almost all of these students have now graduated from high school in a school where large numbers typically drop out; most will go to college. And in the end, most get scholarships, so Eugene Lang does not have to spend a lot of money.

What has he done? Well, he had some people look over these people, but he gave them some hope. He gave them a vision that by gosh, if they really knuckled down and did something, there was a future.

Now, once again, this is more diagnosis than answer for you, and if we had had easy answers, we would have used them long ago, I think. But the notion of finding a way, so that you say, look, if you work hard, you can make it—there is a hope, there is a chance, there is a vision, there is someplace to go—I think that is just somehow an essential element that our current social welfare system, which is basically oriented toward helping people with some income support in the short run, somehow just does not provide. I think we need to find ways to do that, and I admit that there are no easy answers.

Senator **Metzenbaum**. Dr. Ellwood, I am not going to let you off the hook that easily. I am going to ask you, not now, but to take the subject back with you, teach at the Kennedy School, kick it around with your own students. There have got to be some better ideas than the ideas we are presently using. I so often think that some things are so obvious, but we do not do them, and we do not recognize them.

And people such as you, who teach at the Kennedy School, who are innovative thinkers, who have the capacity to wrestle with an issue—we need your help.

Professor **Ellwood**. And I love to offer it. Let me just say one other thing, though.

There is one part of your question that I would just be cautious about, and that was, "What one thing would you do?" I think that what we have really learned over the last five or ten years about poverty is that there really are lots of different issues going on, and that if you gave me five, I could do a lot better.

Another area, for example—work does not pay very well in this country for a lot of folks. You can work all the time, full-year, full-time, and still be poor. It is quite common. Indeed, something on the order of 40, 45 percent of the two-parent families that are poor have someone working full-year, full-time or the equivalent. You have got to make work pay.

Senator **Metzenbaum**. My question is not predicated on an assumption that you are going to eliminate poverty and that there are not going to continue to be poor. But there is a sense of self in working rather than walking the streets, and having a job.

Professor **Ellwood**. Absolutely.

Senator **Metzenbaum**. And I just feel that somehow we are missing the ball, missing the boat, and so I am asking you to go back and kick it around, think some more, pick somebody else's brains, and come back with some ideas.

Mr. Greenstein?

Professor **Ellwood**. He has had plenty of time now, Senator. [Laughter.]

Mr. **Greenstein**. Senator, I think you may find my answer more frustrating than Dr. Ellwood's. I think part of the problem—I do not think there is a major answer by itself—I think that this is so integrally related to the larger performance of the economy that no matter what array of solutions we come up with, as long as we continue to tolerate 7 percent unemployment as acceptable, all approaches are going to have disappointing results—all of them. Nothing, I think, will have more than a modest impact as long as we continue to operate at that level of unemployment.

In the 1960s, we had a whole series of approaches in the war on poverty, and people did not understand why poverty did not go down much more rapidly at that point. Yet from the 1960s to the 1970s, the unemployment rate doubled. And I think some of the liberal planners at that point did not place enough emphasis on that. Now, conservatives attack the programs as failures, and they are not looking at the unemployment rate.

We have used high unemployment as our principal weapon to control inflation, and it is one of the most inequitable weapons of controlling inflation there is. Higher unemployment takes a disproportionate toll on low-income families and on black males in particular. We should combine the kinds of things we are talking about here today with alternative means to control inflation and to lower unemployment rates. Having a 5 percent rather than a 7 percent unemployment rate would do more than everything else we are talking about combined. We have to make that part of what we talk about.

Also I would agree with what David Ellwood said at the end. We have to make work more attractive vis-a-vis public assistance. And we have hit no group harder than the working poor in recent years. Whether in terms of adjusting the earned income tax credit by family size, raising the minimum wage, we need to do something there, and doing something in health care access, which this Committee is very interested in, we need to increase incentives to work.

There no longer are such great career ladders. A lot of people from low-income backgrounds, if they go to work, find a low-wage job for a long period of time. And the way the system is set up now, that is not very attractive, and it is not very remunerative compared to other alternatives to the degree it used to be.

Senator **Metzenbaum**. Mr. Greenstein, that is about as negative an answer as I could get, and I am not willing to accept it, because I also know at the same time that you are telling me about all the problems, that if your wife wants to get the washer changed in her faucet, it is a big deal to find the plumber and to do all of that, or to get the windows that do not open. I am talking about very menial jobs. But the fact is, there are situations in this country that call for people to do the work, and it is not being done.

I cannot believe that we cannot come up with some better thoughts than we have had so far on the subject. And if I do nothing else this Session but point away at this issue—and I expect to do some other things—I am just determined that by the end of the Session, we are going to have something more positive than that which we are doing today.

I think that to say that the problem is endemic to the fact that there is 7 percent unemployment and we can do nothing about it is not adequate.

Mr. **Greenstein**. That is not what I intended to say. What I meant to say is yes, there are different things and better things we have to do. I agree very much with David Ellwood's answer. In my testimony I talked a lot about basic skills. The example you just mentioned, I think, is an illustration of the fact that we have not oriented our programs enough toward basic skills, and we have ignored people like young, minority, male high school dropouts who are not on welfare in our programs, and we have got to create, both in the educational system and for people no longer in the system, new initiatives at upgrading basic skills.

The point I am trying to make is that if that is all we do, that the gains, while they may be positive and significant, will be more modest than you or I would like. I think one of the places where we have gone wrong is by not saying that that is not enough, that we need to do the things you are talking about, but we also need to put back as a basic part of the agenda the issue of the unemployment rate.

Otherwise you run the risk of reshuffling the deck, and for everybody you get a job for, somebody else then does not have one.

Senator **Metzenbaum**. But now you are preaching to the choir. You do not have to convince me about having to do something about the unemployment rate.

But having said that—that is a 7 percent rate, or perhaps 7½, whatever it is at the moment—I am concerned about that 40 or 45 percent unemployment rate, and that is where I am looking to you to see if we cannot come up with some answers.

The CHAIRMAN. Senator Simon?

Senator SIMON. Thank you, Mr. Chairman.

If I may quote two noted authorities—one is Howard Metzenbaum, who says, "Somehow, we are missing the ball," and I agree. And second, Dr. Ellwood, you said, "I do not believe that modest changes in our welfare system will eliminate long-term welfare use. For that, we need much more comprehensive reform." I agree with both of those things, and I support moves that will push us a little bit along the right path, like the Kennedy-Specter bill.

I think we need much more fundamental reform. It is interesting, the longest article The New Republic has ever published on the problems of the poor in our country came to the conclusion that we have to have government be the employer of last resort—encourage private sector employment wherever you can, but we have to face this problem.

The Atlantic, in a two-part series on the underclass in America, came to precisely the same conclusion.

And Dr. Ellwood, you said, "I would like to be able to say we can give everybody a job." And we ought to be able to say that. And we can, if we just decide we want to say it.

I would ask you to remove one phrase from your lexicon, however, when you said you do not want to have "government make-work jobs".

Professor ELLWOOD. I regretted that the moment it came out of my mouth. [Laughter.]

Is it possible to strike those words from the record?

Senator SIMON. I do not know that we will strike them from the record, but I appreciate your second comment, because teaching people how to read and write is the kind of thing we ought to be doing; helping day-care centers; planting trees—doing all the things that need to be done in this society.

Here, we have this huge liability of unemployment, and we could turn it into a national asset. And to this extent, Bob Greenstein was absolutely on-target when he said as long as we comfortably accept this 7 percent unemployment rate, we can put in all the programs we want, but we are not going to help people like we ought to be helping them; we are not going to help people in those Iowa communities that are shrinking because of the farm problem, when we just say to them, "Sorry, you are out of luck." We ought to be doing something, and we can.

And let me just—and I am making a speech rather than asking questions here—but you are both correct in saying we ought to be helping in education. But we also know clearly that pre-school programs are just absolutely vital, and yet we are just tinkering with it instead of marching on it.

We also ought to be helping people before they get on welfare. As soon as somebody is out of work, why should they have to become a pauper before we come along and help them?

Anyway, let me just express my appreciation to both of you, particularly since you amended your statement, Dr. Ellwood.

Are there any comments either of you might have?

Professor **Ellwood**. Let me just offer a couple comments. I was asked to talk about targeting long-term recipients, and that is my pitch. But if you are thinking about the long term and more serious reform and so forth, I think there are several elements that you have really got to have.

One of them, we mentioned, and that is how to find a way to make work pay. You know, if you are going to preach responsibility and people working and all that, it ought to be the case that if you work, you are not going to be poor anymore. But it is not true. And I think there are ways we can do that, involving the earned income tax credit, perhaps some work with the minimum wage, and so forth.

A second thing is to just start thinking about using welfare more as a transitional system. You get welfare for a while. We have got lots of services, lots of programs, lots of ways to help you, and we are going to put a lot of resources into it, and we are not going to stigmatize, and so forth. And then, after doing those two things, then finally thinking about, yes, jobs as a way of providing long-term support for people. I think that is a critical thing.

There are two things I would like to add. One is single parents have two roles that they have to fill that are often filled by both parents simultaneously. They have a nurturing role as well as a financial support role. Currently, an awful lot of those people have both roles completely put upon them, and it is very, very difficult for someone to fulfill both of those roles simultaneously.

There is a lot of talk about how mothers are all working now, and therefore all single, and welfare mothers ought to work. Well, in fact, if you look, it is true that the mothers in our country work, but they typically work part-time. Well, part-time does not get you anywhere in the welfare system. So we have got to find some way through child support or some other kind of system to make it possible to work part-time, two-thirds time, and get out of the welfare system and have some reasonable resources.

The final thing I would like to emphasize, because you raised two articles that come up a lot—I mentioned that there is this dangerous myth that everybody that is getting on the welfare system stays forever. There is another dangerous myth, and that is that the typical poor person in America is a black face in the ghetto. That just is not so.

At best, 5, 7, at the absolute outside, 10 percent of the poor people in America are living in ghettos in our big cities. So whatever you see there, whatever you read there, whatever your feelings are about those things—and I have strong feelings—do not let the tail wag the dog. And let us not just keep that image in our head as we try and think about welfare reform, because in fact there are an awful lot of people in this country who do not fit that category, but nonetheless are not making it. And that is not to say that we should ignore those people, either. Obviously, they deserve extra-special attention. But I think the notion of trying to put together a more comprehensive way where people, number one, if they work, can make it; number two, can get work if they really are willing to do it; and number three where, if they meet reasonable expectations, are going to be fine, I think that is essential. I think we can do that, and I think we are moving toward it, but I do not think that just targeting is going to solve the problem.

Senator **Simon**. Bob Greenstein, any comments?

Mr. **Greenstein**. Senator, I do have some additional comments, but I am noticing there are two panels behind us, and since you and I know each other and can talk—I mean, I would be happy to answer the question now, if you like, but maybe we could talk further later.

Senator **Simon**. I am on this floor, and if you will both stop by my office after you have completed the testimony, I want to give you both something which may give you a few more ideas.

The **Chairman**. Can you tell us what that "something" is?

Senator **Simon**. It is an outstanding book, Mr. Chairman. [Laughter.]

The **Chairman**. All right. Senator Harkin?

Senator **Harkin**. Thank you, Mr. Chairman.

I am sorry I missed some of your testimony, gentlemen, but I did read it. I just wanted to ask this question. Mr. Greenstein, you say, from what I understand, that we should target the efforts to recipients with the greatest barriers and not just look at the "creaming", as you state.

Dr. Ellwood, you say that we should encourage those who are helping themselves—do not punish them because they have an education, to use your words.

It seems like you are telling us to focus on two different groups here.

Mr. **Greenstein**. I think we are actually in agreement. We each sort of focused in those sentences on a different part of the equation.

Senator **Harkin**. Is that what you are saying, focus on those groups?

Mr. **Greenstein**. I think what we are both saying—and David will correct me if I am misstating his position—is that nowhere near enough is done now for the people with the greater barriers and for the longer-term recipients: we need to do a lot more for those people. The system is built in such a way that there are actually disincentives to do what needs to be done for those people, and we need to provide incentives to do a lot more for them and to concentrate more resources on them.

I think what David is also saying is you should not do that to the exclusion of serving those who are more employable. To welfare recipients, for example, who do have a high school education, you should not say, "You get nothing at all because we are only going to serve those who have the greatest problems." I would agree with that very much.

The problem now is that many State work-and-welfare programs provide very shallow services. They spread them over a number of people, and they may be of modest use for those who simply need a modest job-search program to go out and get a job that they would have gotten on their own anyway, and maybe they will get it a month faster with that program. But for the people with the greater barriers and the deeper problems who need more intensive services, they are often not provided, and we need to do more of that.

Professor Ellwood. That is exactly right. That is a cautionary note at the end of my testimony. The thrust of my testimony was, look, these long-term recipients, there are a lot of reasons they are not giving the service they need, and Bob Greenstein said it exactly right.

I am a little nervous, however, about a system that says the worse you are the more you get. So we have got to find a way say that, gee, certain people need one kind of service, and other people need other types of services.

We are a long way, by the way, from that now. We are clearly too far along in the direction where the people who have the long-term and most serious needs essentially get nothing.

Senator Harkin. You said the poor are not in the ghettos; you said only 10 percent maximum are in the innercity ghettos. Where are the other 90 percent?

Professor Ellwood. A lot of them are in suburban areas. Some are in non-poor central-city areas. These articles that you read, you know, people go to the very, very worst sections of our inner-cities, and it is true there are very horrible places, and they are very visible.

But there are an awful lot of poor people who live among us. They are people who are starting out, or they are having a temporary problem. There is rural poverty, often not concentrated, the farmers and the like.

I would be happy to provide you with the table; I do not have it here. But it is really one of the most striking characteristics, if you look. The 10 percent, I would say, is a real upper bound. And if you want to take people who live in neighborhoods in the 100 largest cities and neighborhoods where there is 40 percent or more poverty rate—which at some level, is not that high—that is on the order of 4 or 5 percent of the poor.

So the answer is that they are spread among us. They are not as visible. And their problems probably are not as intensely serious because there is not this high concentration. Nevertheless, those people are poor and struggling, and they are often people who need some short-term assistance as well.

Mr. Greenstein. If you actually look at some of the areas with highest concentrations of long-term poverty poor, year after year, obviously some of these ghetto areas are among them, but also very heavily among those are poor rural areas, especially poor black areas in the rural South.

Part of what has happened with our fascination, although it is not inappropriate to focus attention on the very severe problems in some of these inner-city ghettos, is that we have lost sight of some of the equally severe problems in some rural areas, particularly in the rural South.

Senator Harkin. My last point is basically to you, Bob. For all the years I have known you, and the tremendous amount of good work you have done in the field of nutrition, I was somewhat surprised that I did not see anything in your testimony, nor in Dr. Ellwood's, on the issue of nutrition and the impact of the lack of an adequate diet on the poor and what it does to their incentives and ability to find meaningful work starting at an early age.

There have been studies done, have there not, Bob, on the impact of nutrition on welfare recipients and the poor in terms providing incentives, their energy level, their ability to find work and to concentrate because of lack of protein intake, for example?

Mr. **Greenstein**. Well, there certainly are studies on the relationship between inadequate nutrition and poor school performance, and of course, there is a lot of literature about school performance and school dropouts and so forth, and subsequent employment, earnings, poverty rates, and so forth.

I did not see that as within the specific area I was talking about today, and my testimony was too long as it was, so I did not include it. But obviously, you are right. This is an important area, and you have been very active on it in the Agriculture Committee, and I hope we can continue to make progress on that front, too.

If we are talking about the broader area of poverty and what we need to do, it is not limited by any means to employment and training programs. There are things in other areas that are critical, too; nutrition is one of them.

Senator **Harkin**. That is right. Before a person can actively go and seek work, and have the ability to think clearly and even perform mechanical functions, that person has to have an adequate intake basically of protein and carbohydrates, in other words, a decent diet.

Here we are in a country where now, Americans spend less of their disposable income on food than we ever have in the past, less than any civilized nation on earth. Food is so cheap in this country that people throw it away every day. And yet we have more hungry in America than we have ever had before. The number of people applying for food stamps keeps going up all the time because of our high rate of unemployment.

So I think that one thing we really have to look at as a component of getting people off of welfare, and we ought to make it a solid component, is this idea of providing adequate nutrition beginning at the first stages of child development, of prenatal, postnatal, the WIC programs, the whole panoply of things, the summer feeding programs, the school breakfast program, the school lunch program—everything—even to the point of ensuring that those who are on welfare, those adults, also have an adequate diet, too. And that may mean targeting some nutrition assistance once again, as we did in the past.

If you want new ideas and new concepts, I would just throw one out for your consideration. That is that a hungry person is indeed a handicapped person, and if we are going to help the handicapped of this country, we have to also make sure that those who are hungry are helped, also, because that is a definite handicap in our society.

Mr. **Greenstein**. If we talk about those programs which are not working very well, I think we must also talk of those which are working in terms of helping children get the bedrock they need in order to be able to be more successful, ultimately, in employment. Programs like Head Start, WIC and Chapter I have a good track record, but reach—certainly, in the case of Head Start and WIC fewer than half the people eligible. On Head Start, I think it is only one-fifth of those eligible. And I would hope that a broader, more comprehensive look at this whole area would include increased investment in programs like that that have demonstrated impacts in giving children the kinds of things, nutrition skills, early childhood education and so forth, that are correlated with greater success later in life.

Senator **Harkin**. I am not denying the skills and everything else—but you have got to make sure they have an adequate diet, also.

Thank you.

Thank you, Mr. Chairman.

The **Chairman**. Thank you very much. You have been very helpful, and we will be calling on you as we move through our recommendations in this area.

I might mention to David Ellwood, up there at the Kennedy School, at the Institute of Politics, they have public policy resources for substantive areas of public policy interest. They are periodically looking for various recommendations about areas that the Congress is interested in, and I think as you have gathered here—I know you did not need to come here to get it—that the urgency that Senator Metzenbaum expressed on this is felt by the members of the Committee. There may be some resources there—not extensive, quite limited—that you could get together in response to Senator Metzenbaum.

I will talk to you later and see if we can help.

Professor **Ellwood**. Fine.

The **Chairman**. Thank you very much.

I want to review some of the facts and data concerning the Job Training Partnership Act. The Act has in general been very successful, and the Federal government requires that at least 55 percent of the people enrolled in the program be placed in jobs. The program places 68 percent. That kind of record is a solid foundation on which our future efforts should be based.

Senator Quayle and I have worked on the JTPA in the past with other members of our Committee, and we have been impressed by the achievements, but there is disturbing data. We intended that Title II-A of the Act, a program for the economically disadvantaged, would reach those who need jobs the most and were least likely to get them without the program. We intended that by helping this group, the government would save money because the economically disadvantaged are often recipients of public assistance.

The data from the Congressional Research Service, the General Accounting Office, and a study commissioned by the Department of Labor all show one trend with amazing consistency: No matter what time period we look at, less than one-half of the economically disadvantaged enrolled in title II A programs are receiving public assistance, and only one-fifth receive Aid to Families with Dependent Children. This was true during the 1984 transition year, it was true for the 1984 program, and it was true for the 1985 program year.

Thus, of the 700,000 people who go through JTPA II-A in a given year, only about 140,000 receive AFDC. This information is distressing for two reasons. First, the AFDC recipients are often the poorest of the poor. To qualify for AFDC, a family must have an income that is much less than the poverty line. Second, even though AFDC benefits are not generous, they are often far more in dollar amount than other forms of public assistance such as food stamps.

What this means is that we may be spending most of our job training programs on those who cost the government least, and the government may be spending the least on those who need it most.

So it is with these concerns in mind that we welcome the second panel, people who have been in the trenches on JTPA and can explain how it is working.

We welcome Gary Walker, who is the Executive Vice President for Public and Private Ventures, in Philadelphia; Robert Coard, Executive Director of Action for Boston Community Development, and also President of the National Community Action Foundation, who has been an old friend; also, Randy Rowel, who is Executive Director of the Arundel Development Institute in Maryland.

We will start with Bob Coard.

STATEMENT OF ROBERT M. COARD, EXECUTIVE DIRECTOR, ACTION FOR BOSTON COMMUNITY DEVELOPMENT, AND PRESIDENT, NATIONAL COMMUNITY ACTION FOUNDATION; GARY C. WALKER, EXECUTIVE VICE PRESIDENT, PUBLIC AND PRIVATE VENTURES, PHILADELPHIA, PA; AND RANDY ROWEL, EXECUTIVE DIRECTOR, ARUNDEL DEVELOPMENT INSTITUTE, MARYLAND

Mr. COARD. Thank you, Mr. Chairman. I appreciate the opportunity very much today.

I am Bob Coard, as you know. I am the Executive Director of Action for Boston Community Development, one of the nation's largest community-based organizations.

The CHAIRMAN. We will ask you to summarize your statements. You are all professionals, and we want to move quickly to the questioning. So please just highlight it for us, if you would, please.

Mr. COARD. Yes, certainly.

I am also a member of the very innovative Boston Private Industry Council, which is unique in the fact that it has the chief executive officers of the major corporations in Boston participating actively in that body.

Today I am presenting testimony in my capacity as President of the National Community Action Foundation, representing some 900 Community Action Agencies, the core of our nation's anti-poverty programs, providing assistance of all kinds to those in need, in nearly every county in the United States.

The CAAs as a group actually provide the largest cluster of JTPA services in the country. We at ABCD, for instance, are under subcontract with the city, and the State provide some $5 million worth of JTPA services throughout the City of Boston.

We feel that, given the nature of the Community Action Agencies, which have public officials on the board, as well as community persons, as well as people from the private sector, we have a unique role with respect to serving the hardest-to-employ.

Serving the hardest-to-employ is directly related to the buildup of the underclass, which is today in America solidifying and expanding, and it is a very critical area which I will address briefly.

Community Action Agencies are recruiting and training a number of persons who are hard to employ, and we have been doing that under the JTPA programs.

JTPA is a good program, and it has met a very critical need. Unfortunately what has happened because of the lack of funds and some aspects of the program, it has had a tendency to "cream", and we feel that more efforts should be made in terms of reaching the hard-to-employ to a greater extent than has been possible under JTPA mandates.

The problems of the population we must reach are the basic skills of reading, writing, calculation and English as a primary language that are required foremost before job training programs can be successful.

I want to commend our Governor Dukakis, who just a couple of days ago announced the formation of a Literacy Corps, because we have assessed the fact that in Massachusetts, as in just about all other States, there is a very large population of persons who are functionally illiterate, and some who are not just functionally illiterate, but totally illiterate. And it is hard to bring up a family where the breadwinner is not able to carry on in a literate way in our society.

Another aspect of the JTPA program that we find difficult is the absence of training stipends, which force many poor people, particularly many of our young people today, who unfortunately start families too soon, because many times we have children having children, it is very hard for them to undertake the kind of job training for any extended period of time without some income, unless they are on welfare. Many of these persons that we are speaking about float in and out of welfare over a period of time.

The other critical aspect of our need to serve those who are the hard-core is the support services problem, transportation, child-care in particular. In my State, the E.T. Choices Program is an excellent one, and the Commissioner of Public Welfare will be speaking on that shortly, so I will not speak to that issue. Support services including hand-holding and encouragement and innovation, as well as child-care, transportation, legal services and others, are really critical to making it a successful program, particularly for the hard-core.

The rural poor, and their lack of access to training programs and jobs, and their isolation, is a problem that should be critically looked at by the Committee. Many of the incentives with respect to JTPA do not operate with respect to getting the hard-core. The incentives are toward quickly training and placing persons.

Now, I have nothing against that. Persons who meet the JTPA criteria who already have a high school diploma or in some cases even college, do need our assistance, and they should have it. But by leaving out those who are forming and increasing and solidifying the underclass, or "lumpen", as Senator Moynihan says, is an area where we should pay much more attention than we have so far been able to and more on resources.

The Federal job training resources have declined by almost 70 percent since 1981, and current Federal funding will provide training for only about 4 percent of the eligible population. With limited resources, a large number of eligibles, including many who are increasing and those who stubbornly remain despite high employment in many States, like my State, indicate to us that we really need to concentrate more on innovative solutions to deal with a population that so far has not been reached successfully by our existing programs.

This, Mr. Chairman, is a summary of the essential aspects of the testimony of which I have submitted a written copy to the Committee.

Thank you very much for the opportunity.

[The prepared statement of Mr. Coard follows:]

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TESTIMONY OF

ROBERT M. COARD

PRESIDENT

NATIONAL COMMUNITY ACTION FOUNDATION

BEFORE THE

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

JANUARY 21, 1987

Mr. Chairman, I am Robert Coard and, as you know, I am the Executive Director of ABCD, Boston's Community Action Agency and one of the Nation's largest Community-Based Organizations (CBOs). I am also a founding member of the Boston Private Industry Council, our local JTPA policy body. But today I am presenting testimony in my capacity as President of the National Community Action Foundadtion (NCAF). Our Foundation represents approximately nine hundred (900) Community Action Agencies, the core of our national anti-poverty program, providing assistance of all kinds to those in need in nearly every county in the United States.

Community Action Agencies (CAAs) as a group, arguably provide more federally assisted job training and related services than any other national newtwork of CBOs. So I believe we can speak with a good deal of knowledge and experience about how to reach and train the hardest to employ.

Community-Based Organizations such as Community Action Agencies are often the bridge between the poverty community and the service resources or actual services available from public and charitable institutions. Because CBOs are community sponsored and because we train and employ residents of poverty communities we are capable of reaching out to and serving the hardest to employ where public and charitable institutions cannot. Community Action

Agencies are particularly skilled at bridging this gap because the mandatory make-up of a CAA board of directors creates a meeting place of community representatives, charitable and business organizations, and local elected officials and public institutions. But because we are usually not public or charitable institutions we lack the tax base and substantial, reliable financial support these institutions enjoy. While we can better reach and serve the population most in need of federal job training assistance, we often cannot sustain job training as a primary part of our services when much of the job training program significantly restricts our cash flow in compliance with the performance contracting mandate.

So let me address my comments today, Mr. Chairman, to this problem of our failure to reach and train the hardest to employ. This problem is commonly referred to as "creaming", and JTPA is not the first federal training program to experience the problem. While there may be many reasons we could cite for the practice of creaming, I will try to briefly outline the major institutional, statutory and regulatory causes to which this Committee might address itself.

The Problems of the Population We Must Reach:

1) The basic skills of reading, writing, calculation and English as a primary language that are required formost by job training programs are often lacking among the hardest to employ. Therefore, they often do not participate in training programs because they cannot qualify.

2) Sometimes we can move an entire family out of poverty by moving the primary wage earner or a second wage earner from part time under-employment to full time career employment. But these families are subsisting on their part time wages and cannot give them up to enter long term career training. The absence of adaquate training stipends forces many poor people to make a basic economic decision to pass up career training.

3) Many of these same poor people -- particularly mothers of young children -- must have access to support services such as transportation and child care. Mr. Chairman, the ET program in our state of Massachusetts does an excellent job of attracting welfare mothers to training programs by making available many program options and essential support services. But this is not the case in most states and, as you know, the Massachusetts ET program does not rely significantly upon JTPA funds for its support services.

I should also note that our rural Community Action Agencies have great difficulty dealing with the isolation of the rural poor and their lack of access to training programs and jobs.

4) Most job training and placement programs recognize that the very poor are, in fact, the hardest to train and place. There are few incentives to take on this challenge so many training programs simply avoid those most in need.

Who Can Reach and Train the Hardest to Employ?

1) The correct answer, of course, is a community-based organization such as a Community Action Agency with a history of linkage to and successful services for the poverty community.

2) To successfully reach and train the hardest to employ, a CAA must also

- Have an excellent job training outreach effort.
- Sponsor a basic skills pre-training program to raise competency levels so trainees will qualify.
- Arrange for funding of support services and stipends or part time employment compatible with the training schedule.
- Maintain a staff of high quality trainers and job developers, and
- have an agency budget which permits you to "gamble" on the success of your training program until you receive performance contracting payments based upon permanent job placements.

What Incentives are Provided to Reach and Train the Poor?

1) The hardest to employ are obviously the hardest to train and place. Reimbursements to training agencies based upon successful performance will not create a priority to serve the poor.

2) There is no independent source of funding or reimbursement for a pre-training, competency program, so there is no incentive to provide one.

3) Quantitative performance standards emphasize numbers of successful placements over the long term, quality training often needed by poor people. Again, there is no incentive to train the hardest to employ.

What Resources are Available to Train the Poor?

1) Federal job training resources have declined by about 70% since 1981. Current federal funding will provide training for about 4% of the eligible population. With limited resources, large numbers of eligibles and quantitative standards, it is not surprising that the most job-ready trainees are often served first by the JTPA program.

2) Locating funds for competency training, social services and adequate training stipends depends on the generosity of state, local, and charitable programs and how cleverly we can mix and match other limited federal funding sources.

As you can see, Mr. Chairman, what emerges is the picture of a system with good intentions but limited resources and, sometimes, perverse incentives. We should not be surprised about our inability to reach and train the hardest to employ.

Let me make just a few, brief recommendations regarding improvements which can be made:

1) Ensure that the Agencies best able to reach the poor, such as CAAs, will participate in job training programs by encouraging the availability of start-up funding for not-for-profit training contractors under performance contracting.

2) Establish and adequately fund a pre-training, remedial, competency program, with CBO participation, to help the poor qualify for job training. Performance standards in such a program cannot be based upon job placements.

3) Increase the rewards within performance standards for attempting to train and place the hardest to employ.

4) Increase the rewards within performance standards for providing long term, quality, career training.

5) Provide adequate federal funding for job training programs.

Thank you Mr. Chairman and Members of the Committee for the opportunity to testify on this important issue.

The **Chairman**. Gary Walker?

Mr. **Walker**. Thank you. I will summarize, Senator.

From 1983 to 1986, I was the principal investigator of a national study of Title II-A of the Job Training Partnership Act. This study really looked at two major pieces of the Act. One was the institutional and management structure, and the second was the key targeting provisions, those that directed the Act's resources to go toward welfare recipients and reducing welfare rolls, toward youth, toward the most in need.

The findings of this study were complex, but they are pretty easy to summarize. We gave the Act high marks—a solid "A"—on the way it handled the changes in the institutional and management structure. It did bring in the private sector; it did devolve responsibility to the States; it did set up new management systems that were efficient and produced high numbers.

The study gave poor to modest marks—"C" to "D"—for the Act's ability to implement the targeting provisions, to bringing in welfare recipients, the ability to spend the youth money, the ability to target on the most in need.

These results, I do not think should be seen as contradictory. They do not surprise me. I do not think they should surprise any of us. They are the cause neither for a lot of celebration nor, I think, a lot of handwringing, because they are very interconnected, the management successes and the substantive problems that the Act had.

And I think if you look at the way the management systems are set up—I am just going to give one example—you can see why you got what you got here, and that is, the kind of contracting systems that are set up at the local level.

Basically, at least in our study, 80 percent of the sites had what are called performance contracting systems. What this amounted to in short is you tell a contractor: "Bring in an eligible. You get $1,000 if the person completes the training. You get $1,000 if the person gets the job. You get another $1,000 if the person stays on the job 30 to 60 days." It is a perfectly sensible, clear system. And of course, any contractor in his right mind will do precisely what the contractors out there did. You go after the people who are eligible, who appear to have the skills, the education and the ability to move through your training system as quickly as possible, with as little cost to you, and who will stay on the job.

There is nothing necessarily wrong with that. I do not think it was a venal sort of thing that happened to get the performance that we have gotten here. But it is an integral part of the JTPA system, the fact that its management system works so well and that the substantive elements of the Act, the targeting elements, are not met.

When you quickly try to analyze what might you do to change this, in my mind, there are three basic alternatives you can look at. And by "change" I simply mean to get more focus on the most in need, which I think everyone in this room would agree needs to be done. There needs to be some of these limited Federal dollars spent on those who need the training most.

One, you can look at changing the incentives, the goals, in the Act. That is an attractive way, and I think something can be done with that, because this system has shown that it does respond to incentives. The seven performance standards that the Labor Department set up were primarily focused on cost and placement rates, and the system responded magnificently. In five of those seven performance standards, it beat the Federal standards by 40 percent.

What must be remembered, though, is that within those standards as they currently exist is the capacity to adjust for higher-need individuals; that can be done at the State and local level. It has largely not been done. And I think that gets to my second reason why I think we get the results we do, and that is the structure of the system. That is simply that at the local level, you have an incredible involvement of the private sector. It has been one of the real successes of JTPA, but I think it also leads to part of the substantive results that we are seeing.

You have volunteer businessmen spending a lot of time in this Act, overseeing it, and what they would like to see are short-term, fast, relatively low-cost results. So that structural element of the system should not be ignored in any type of changes that the Committee might consider because to my mind, and I think to a lot of people out there, one of the biggest successes of JTPA has been its ability to bring in the private sector. These people are giving free time; they are very involved with it. They are a large reason for the good management systems and the high community support.

So any changes that are put in should only be brought in with the cognizance that you have people out there who think they have done very well—by the standards put out, they have in fact done very well—and are likely to get discouraged if they are told that they have not done very well in fact.

That, of course, leads to one other possibility, and that is simply that since there is the capacity within the present legislation the way it is structured to focus on the most in need, that the Department of Labor and those who oversee the Act simply put more emphasis on getting that done and push more to make changes within the existing system that they can make.

In other words, what the locals have responded to is what they have heard from Washington is important. If they hear something else, even within this present Act, I have a feeling they would respond better.

Thank you, Senator.

The CHAIRMAN. Thank you.

Mr. Rowel?

Mr. ROWEL. I am also here to talk about my experiences as Executive Director of ADI in providing JTPA services for word-processing to eligible clients.

One of the major concerns I have to express is the fact that the recruitment efforts, because of the performance contract and methodologies, quite often result in our not reaching those persons who are really in need.

It is very discouraging to see the hard-core unemployed and difficult to find innovative ways of getting them involved in training. Because there are few such innovative planning strategies for addressing the hard-core unemployed, programs generally do not have the incentives or the funds to adequately address this group.

I think this is one of the major downfalls of JTPA, although there are many, many positive things that I can see in the program, and indeed it is a step in the right direction.

However, you the policymakers and we the service providers must realize that we have to be committed to the enhancement of this program by realizing that unless we can get the hard-core unemployed involved in JTPA training activities—particularly black males, who are disproportionately represented in JTPA—then we will continue to see the devastating effect that unemployment is having on our communities, on families and the like.

I also have some concerns about poor interagency coordination at the local level. Many of the AFDC participants are in fact somewhat reluctant to become employed upon completion of training because it is quite often more cost-effective to remain on AFDC—Although I regret saying that, but many of my participants have discussed this with me on numerous occasions. When all those costs incurred as a result of employment is considered (i.e., childcare, transportation, lunch) many in fact have a lesser household after employment.

This needs to be addressed, and I think that it is a matter of coordination as well as giving programs the opportunity to provide better training so that these participants can come out making more money. This also means that the job skills training, although intensive, that many of these JTPA trainees get is not enough; there needs to be additional community support and life skills training for these individuals during the transitional period which follows the training course.

We must not forget that the individuals that we are dealing with are quite often chronic unemployed, or have a record for being employed and then unemployed, and we must begin to look at those issues that will keep them on the payroll and keep them from returning to AFDC at the taxpayers expense.

I think that such efforts and emphasis on community-based education, more community involvement in the educational process, particularly in low-income communities, and conducting activities that supplement school activity are avenues that we must pursue—and again, emphasis on better coordination at the local level so that the mission, goals and objectives of JTPA can fully reap the benefits for those who participate in the program.

Thank you.

[The prepared statement of Mr. Rowel follows:]

STATEMENT FOR THE RECORD OF

RANDY H. ROWEL
EXECUTIVE DIRECTOR,

ARUNDEL DEVELOPMENTAL INSTITUTE

ON
EMPLOYMENT AND TRAINING REFORM

JANUARY 21, 1987

MR. CHAIRMAN, AND COMMITTEE MEMBERS, I AM PLEASED TO SUBMIT A STATEMENT FOR THE RECORD CONCERNING EMPLOYMENT AND TRAINING REFORM, AN ISSUE THAT HAS AND WILL CONTINUE TO BE A KEY FACTOR IN DETERMINING THE TRUE STRENGTH AND COMMITMENT OF THIS COUNTRY TOWARDS A SOUND ECONOMIC BASE. THIS REFORM IS BEING PROPOSED AT A TIME WHEN THE UNITED STATES'S ABILITY TO FURTHER DEVELOP AND MAINTAIN A VIABLE WORKFORCE WHICH IS CAPABLE OF PRODUCING AND MARKETING QUALITY PRODUCTS AND SERVICES TO NATIONAL AND INTERNATIONAL CONSUMERS, IS RECEIVING CONSIDERABLE ATTENTION.

I AM EXECUTIVE DIRECTOR OF THE ARUNDEL DEVELOPMENTAL INSTITUTE (ADI), A NON-PROFIT AGENCY COMMITTED TO PROVIDING TECHNOLOGY EDUCATION AND CREATING JOB OPPORTUNITIES FOR PERSONS LACKING SKILLS NECESSARY TO OBTAIN MEANINGFUL EMPLOYMENT. THROUGH OUR TRAINING AND JOB PREPARATION ACTIVITIES, WE PLAY A MAJOR ROLE IN MOVING MANY OF THESE INDIVIDUALS FROM A STATE OF DEPENDENCY TO SELF SUFFICIENCY.

DURING THE PAST FOUR YEARS, THE JOB TRAINING PARTNERSHIP ACT (JPTA) EMPHASIS ON PRIVATE AND PUBLIC SECTOR PARTNERSHIPS HAS BEEN THE HEART BEAT OF A MAJOR INITIATIVE TO APPROPRIATELY ALLOCATE RESOURCES NEEDED TO STRENGTHEN THIS COUNTRY'S WORKFORCE. THE PASSAGE OF THIS LEGISLATURE HAS RESULTED IN THE PROVISION OF INTENSIVE TRAINING AND PLACEMENT OPPORTUNITIES FOR A NUMBER OF JPTA

PARTICIPANTS. DESPITE OUR ACCOMPLISHMENTS, JPTA SERVICE PROVIDERS AND POLICY MAKERS CAN NOT STOP SHORT OF EFFORTS NECESSARY TO ADDRESS CHANGING NEEDS.

AS A SERVICE PROVIDER, I FEEL THAT JPTA OFFERS LITTLE OR NO EMPHASIS ON REACHING THE HARD CORE UNEMPLOYED. THIS CAN BE PARTIALLY ATTRIBUTED TO PERFORMANCE CONTRACTING METHODOLOGIES. I AM NOT, HOWEVER, SUGGESTING THAT SUCH METHODOLIGIES BE ELIMINATED. PERFORMANCE CONTRACTS PROVIDE NECESSARY ASSURANCES FOR OPTIMIZING RECRUITMENT, RETENTION, TRAINING, COMPLETION AND PLACEMENT ACTIVITIES. ON THE OTHER HAND, IT ALSO ENCOURAGES PROGRAMS TO SEEK THE MOST QUALIFIED OR LIKELY TO BE PLACED PARTICIPANTS, WHO IN TURN PROVIDE MAXIMUN REIMBURSEMENT. ALTHOUGH I RECOGNIZE THAT THE BENEFITS OF PLACING SUCH INDIVIDUALS GO FAR BEYOND THE PROGRAM LEVEL, I ALSO RECOGNIZE THAT A SIZABLE NUMBER OF THE HARD CORE UNEMPLOYED WILL NOT BECOME JPTA PARTICIPANTS BY CHOICE OR OMMISSION. THOUGH SUCH "CREAMING ACTIVITIES" ARE NOT INTENTIONALLY DONE BY PROGRAMS, THEY ARE HOWEVER, A REALITY. "CREAMING ACTIVITIES" AFFECT SUCH HARD CORE UNEMPLOYED GROUPS AS BLACK MALES, WHO ARE DISPROPORTIONATELY REPRESENTED IN THE JPTA PARTICIPANT POPULATION. IT WOULD BE A MISTAKE ON ALL OUR PARTS TO ASSUME THAT THEIR LACK OF PARTICIPATION IS BECAUSE THEY DO NOT DESIRE TO BE PRODUCTIVE CITIZENS IN THIS SOCIETY. IT WOULD BE EQUALLY A MISTAKE TO ASSUME THAT THE ADMISTRATIVE AND SERVICE PROVIDER ARMS OF JPTA ARE NOT RESPONSIBLE FOR DEVISING STRATEGIES FOR ADDRESSING THIS AND OTHER POSSIBLE SHORTCOMINGS. INCENTIVES NEEDED TO TRULLY REACH OUT TO THIS AND OTHER CHRONIC UNEMPLOYED GROUPS DOES NOT EXIST UNDER THE CURRENT GUIDELINES. FOR PROGRAM

DIRECTORS, INNOVATIVE STRATEGIES FOR CHRONIC HARDCORE GROUPS OFTEN TRANSLATE TO MEAN ADDITIONAL STAFF PLANNING ACTIVITIES AND OTHER RESOURCES, THUS INCREASED FUNDING AT THE PROGRAM LEVEL WOULD BE NEEDED.

ANOTHER AREA THAT I AM CONCERNED ABOUT IS THE RATE OF RECIDIVISM FOR AFDC PARTICIPANTS THAT COMPLETE TRAINING OR ARE PLACED IN JOBS. IT IS DIFFICULT FOR PROGRAMS TO PROVIDE THE LEVEL OF TRAINING NEEDED TO INCREASE THE AVERAGE STARTING SALARY FOR JTPA PARTICIPANTS OR TO PROVIDE ADDITONAL COUNSELLING OR SUPPORT SERVICES DURING THE TRANSITIONAL PERIOD (SIX MONTHS AFTER TRAINING), BOTH OF WHICH CONTRIBUTE TO THIS PROBLEM. FOR EXAMPLE, THE AVERAGE SALARY FOR THOSE PLACED BY ADI IS $5.00 /HOUR. WHEN ONE CONSIDERS THE DISCONTINUATION OF AFDC SUPPORT SERVICES AND THE ADDITIONAL COST INCURRED AS A RESULT OF EMPLOYMENT, IT IS NOT ECONOMICALLY FEASIBLE FOR SOME JTPA PARTICIPANTS TO KEEP OR ACCEPT LOW-PAYING JOBS.

OUR INABILITY TO MEET THESE CHALLENGES IN THE UPCOMING DECADE WILL INCREASE THE NEED TO PROVIDE AFDC AND OTHER SOCIAL SERVICE PROGRAMS. THE SOCIAL IMPLICATIONS FOR FAILURE TO REACH THE HARDCORE UNEMPLOYED PROMOTES THE CONTINUATION OF HIGH CRIME, UNEMPLOYMENT, AND DRUG AND ALCOHOL ABUSE RATES. MORE IMPORTANTLY, OUR INABILITY TO ADDRESS THE STATE OF HOPELESSNESS AND DESPAIR WHICH OFTEN ACCOMPANIES THE HARD CORE UNEMPLOYED, DAY IN AND DAY OUT, WILL ONLY HAVE A CRIPPLING AFFECT ON THE U.S. AS WE SEEK TO RENEW OUR ECONOMIC STRENGTH AND ENHANCE THE VIABILITY OF THE AMERICAN WORKFORCE----THE BACKBONE OF THIS NATION.

The CHAIRMAN. For a point of departure, let us assume, as I do, that the JTPA is working and placing people into jobs. What we are focusing on this morning is how we are going to try and deal with those who are the hard-core, as defined, I thought, well in our earlier panel. Assuming that these financial incentives have worked in terms of moving people from unemployment into employment, could you use the financial incentives to address the problems of the harder-core welfare recipient?

I think from the earlier panel, we have seen that you can identify those people fairly early in the process; almost the day they walk in the door. Should we be thinking about targeting those who would appear to fall into that other category, and would financial incentives work?

Let me just get an initial response from the whole panel. Bob Coard?

Mr. COARD. Yes, Senator. I would say that a big need of the hard-core would be literacy training and some assessment of their strengths and weaknesses.

The second aspect in terms of assessment would be some of the supportive service needs—day-care, transportation, and a number of other areas like that—and allocating some resources to make sure that those are available so that participation in job training efforts on the part of the hard-core would be complete, full, on their part.

Then I would say they would need a lot more training input than would normally be the case for persons who may already have high school diplomas or some higher schooling than many of the hard-core.

Incentives in this area certainly would work, Senator, but they would also include, I would say, something to employers to hire persons whom they may not consider the cream of the crop, so to speak.

The CHAIRMAN. OK. Mr. Walker?

Mr. WALKER. Senator, did you mean financial incentives to the system?

The CHAIRMAN. Yes, to the system.

Mr. WALKER. I think there is no question that incentives to the system can make a difference, so long as they are accompanied by very clear goals and publicity that that is what is expected out of the system.

If you look at the JTPA system, it has not responded particularly well to the mere expenditure of money. It has underspent all three years; it has not spent 40 percent youth. I think the people out there in the local communities running these programs are very attracted to high placement rates and low unit costs. So the incentives are going to have to be complicated enough that they just do not involve the flow of additional money into it. I am not sure that alone would do it.

The CHAIRMAN. That is what I want to get your reaction to. Say we leave the system in place—it is working in terms of the JTPA on the group that is more transitional and is getting those people back into employment. What we are trying to do is see if there are some important lessons that can be learned from JTPA that can be applied to the harder-core. Now, maybe it has to be another section or another paragraph, or something.

Basically, what we are thinking about is sharing. If the States were able to get the people from this harder-core class onto the employment rolls, we would get a savings there on the Federal level in terms of various programs, and would share those savings with the States. We could then put that money back into the States to be targeted again toward that hard-core. We would allow maximum flexibility to the States to be able to develop those programs in terms of day-care, nutrition, health services, and so on.

Does that concept have value? That is what we are basically trying to get some insight into.

Mr. **Walker**. I think from what I have seen at JTPA, I would stucture it highly up-front—that is, in terms of the eligibility criteria of who is to get into this more targeted program—and I would structure it very highly at the end, and that is to define the outputs which would require longer-term follow-up—those kinds of things that the JTPA system does not have.

I would let the system do what it wants pretty much in between. And I think the way you could stimulate business interest at the local level would be, in terms of your payback mechanism, to set up the end-term criteria of what made the system work so that a local businessperson on a PIC could say, "We actually ran a program last year that, if it were a business, would have paid for itself."

I think that is what will stimulate interest, not the mere flow of more money. I do not think that attracts the people who are running this. But if they thought, "By running a business, by what was saved in welfare, I would have been 80 percent self-sufficient," I think you would pique some interest at the local level.

The **Chairman**. Good.

Mr. Rowel?

Mr. **Rowel**. In terms of incentives for the recipients, I think again the issue of coordination at the local level is important. If we look at the profile of the hard-core unemployed, we will see that quite often this individual is also the father of children, is not being responsible, is unemployed. And I think if we had better coordination nonsupportive fathers could be given an option to participate in the JTPA program—I think if we do not look at some of the pressing problems that the hardcore are confronted with on a day-to-day basis—such as the pressure of having to pay child support, if they are unemployed—we must take that into consideration and make it work with JTPA, so that JTPA becomes a supplement to other efforts that are taking place in the system.

On the program level, I agree with Mr. Walker here, that money alone cannot be be used as an incentive. I think that it really needs to be linked to particular strategies to determine how to go about reaching this group. We have to realize that no one, honestly, has an answer for this. I mean, it is exploratory. We have to look at it, we have to develop innovative approaches—it has to be flexible enough to allow community-based programs to address the heart of the issue. I think that one of the problems, again, is the community-based——

The **Chairman**. Let me just interrupt there. You would give maximum flexibility to those communities—and Bob Coard talked about those local community groups—to be able to fashion these kinds of programs with the private sector in terms of what is necessary in that particular group. And then you give resource support, hopefully, to help them to give that person the kind of equipment, skills, training—whatever that mix is to be able to get there—and you leave it to the business and other groups to help the people get there.

I am talking about performance standards, not just front-loading. But is it your own feeling that if the PICs and the business community and the local people were sufficiently challenged to move on this identifiable group, that you could get some kind of response and that it would be a positive one?

Mr. **Rowel**. I am in total agreement with that. And again, the emphasis would be to identify, assess profile and needs of the hard-core unemployed, and link them with the appropriate services. The hard-core, particularly males, have little access to other social services—unlike the women, mothers and children. We must give that some thought as to how we are going to make it easier for them to take advantage of the opportunities that exist and ultimately lead to employment stability.

The **Chairman**. Good.

Senator Dodd?

Senator **Dodd**. Thank you, Mr. Chairman, and my apologies to the panel and to the Chairman for being a bit late this morning coming in, but every committee is meeting, as you know.

I have a couple of questions, and I am going to preface them by saying if you have already responded—I think maybe you have peripherally—then I will pick it up from the transcript and staff.

It has to do, really, with the question Senator Kennedy was addressing to you—and it may be that you have already responded to this. It has to do with the whole question of identifying that long-term dependency constituency.

The problem I have seen, at least in a limited degree, is the "creaming" effect, where you get people in these programs who have a far greater likelihood of success in terms of jobs, and in the absence of a program would have probably done pretty well. They may have had some delay in getting in. They may not have picked it up as quickly. They may have lacked training for a while, but there is a profile there that, if you removed the program, would probably be all right.

Then you get question of the long-term dependency—how do you identify that constituency? How do you avoid the stigmatization, potentially, if you do end up identifying it or setting up some criteria? And, if you would set up some criteria, what would your criteria be?

I would just ask all three of you to respond to that if you have not already.

Mr. **Walker**. I think, Senator, you were not here for the earlier panel. I think we have a lot of research—and David Ellwood went through it—where you can identify certain characteristics as specific to the welfare rolls, which at least give you a high likelihood they are going to stay on for a long time.

Also, besides welfare, just regarding youth, one of the things JTPA is not very successful at is just bringing in young kids who have left school and have been out for 12 months or more, which means the likelihood of them going back is small.

So I do not think the problem of definition here is the serious one at all. I think you can set up, between welfare recipients and youth and other categories, you can define the groups you want to get at.

I think the harder problem is defining exactly what you mean by success—by defining success in a way that is palatable to a local business group which is now used to 80 percent placement rates and is going to have to get used to something else, and setting it up to stimulate them to be involved with that group.

Mr. Coard. Senator, I would say as to the definition of the hardcore that we have the core of information as to those who would fall into that profile. But for operational purposes it could be defined a lot more operationally so that we could identify someone who met those criteria as soon as they enroll or as soon as we try to give them service. That would be part of what I consider the assessment process with respect to anyone who is seeking services.

I would agree with Senator Kennedy that we definitely need a new section of JTPA, because the incentive systems that now exist are not only "creamed" but they result in the return of large sums of JTPA funds to Washington, unused, that could be used to serve this large population which at the present time is unserved.

As to some basic aspects of a program, I would say the intensive use of community-based organizations, which for the most part are sort of peer groups of the persons we are trying to help. Therefore there is this peer group pressure and peer group motivation for persons to succeed.

We should also have some standards of what time is needed and what inputs we need to have a chance of success with individuals and families who meet these criteria so we are not having unrealistic standards of success and placement.

We should also have high support services from health services, legal services, where there will be wage garnishments, which kills the incentives of people to go back to work; transportation; daycare, in particular.

Also, we need some stipend or some way to support. We have some very successful training programs with banks in Boston, which as a matter of fact we have a citation from President Reagan for the public-private work my agency has done.

Yet we have a problem where this program lasts six months. We find very few hard-core persons, or even persons who are not hard-core poor, who can afford to be out of the job market and be unemployed and have no income for six months. Yet the banks have guaranteed that they will hire any person who goes through this training program.

We also need some incentives to the recipients and incentives to the companies that are likely to hire these hard-core persons.

And lastly, I would say we need a follow-up program so we can know what has happened and also to continue the support services and hand-holding and motivation for persons who meet these criteria and where the incentive system would be operating to help us to succeed more with the hard-core.

Senator DODD. Mr. Rowel, do you have a comment?

Mr. ROWEL. No comment, Senator.

Senator DODD. Just one last question. States like Massachusetts and Connecticut are doing remarkably well economically. Our per capita earnings and unemployment rates are among the lowest in the country, if not the lowest in the country.

I guess the question that a lot of people raise is to what extent—people talk about the success, and rightly so, of the E.T. Program—but to what extent is the E.T. Program successful because of welfare reform, or to what extent is it successful because you have had a very vibrant and healthy economy in the State of Massachusetts.

What studies have ever been done that you know of to compare the reforms that exist in the welfare system in Massachusetts, for instance, and in States where there is high unemployment, but have adopted similar reforms, and comparisons to determine to what extent the success of these programs can be attributed to either the reform or the general state of the economy?

Mr. COARD. I do not know of any studies like that, Senator. However, despite an unemployment rate in Massachusetts which is incredibly low, we still have many poor persons or hard-core——

Senator DODD. Oh, I know that, believe me; in Connecticut, Hartford and New Haven are ranked as the fourth- and seventh-poorest cities in the country. I do not mean that we are great success stories in every category.

Mr. COARD. The problem, also, is that the unemployment rate is not a good indicator of those who need jobs. We have many persons who we call "discouraged workers" who are not even listed as unemployed after they have not found work after 30 days and are discouraged and do not seek it anymore. A lot of minorities fall into that category.

We also have many underemployed persons, a large number of part-time workers, who are another form of discouraged worker. We do not even discuss them in our policymaking, because they have dropped out of sight. So these are factors, also.

And then we have a large illiterate population in most of our States, particularly in our urban centers. In the States of Massachusetts and Connecticut, where high-tech is the order of the day—that is, you need more education than would normally be the case ten years ago—we still have a critical problem that we need to deal with with regard to the hard-core.

Senator DODD. I appreciate that.

Yes?

Mr. WALKER. Senator, I think the history of most large-scale sorts of programs, like E.T. Choices and other, their overall success is usually intimately related to the overall functioning of the economy around them. But what you cannot lose sight of is that the groups we are talking about here today, the high-need groups, are really not such astonishingly high numbers. And you will see programs that focus on those groups and offer good services, succeeding in economic environments that are not so terrific, just because they are very good programs, they are well-connected to the private sector, and they work well. So they are separate issues, in a way. Large programs demand successful, large environments around them, I think.

Senator **Dodd**. I thank you both for those comments.

Let me just say to you, Mr. Rowel, your last comment on the previous question of Senator Kennedy about dealing with men and the absence of assistance, I think is an excellent point. I do not know any simple solutions to that, but it seems to me that it has been a real, gaping hole in all of this, particularly when you start dealing with children, and you know in cities like Hartford and New Haven, every other child you see on the streets of those two cities is living in poverty, and as the Senator pointed out in his opening statement, one out of every three—one out of four, certainly, but close to one out of three—in the country.

I do these high school forums at public high schools throughout Connecticut during the year and recently did one at Wilbur Cross High in New Haven. I think I spoke for about five minutes, and after that, I was nothing more than a moderator among 400 kids, where the young women and the young men had this hour-long debate over the responsibilities of men in paternity areas. And they discussed it—I really did not—I just gave people a chance to respond. But it was fascinating to me, and I think one of the points is that if there is an absence of a sense of responsibility among some of these young men about their offspring, I think in no small measure it may have to do with the fact that they are not in the system at all in any way. So I agree very much with the point that you made on that particular issue.

I thank you again for your comments and testimony.

Thank you, Mr. Chairman.

The **Chairman**. Senator Adams?

Senator **Adams**. Thank you, Mr. Chairman. I am sorry that I was at another Committee, and I have no questions.

The **Chairman**. Thank you.

We want to thank you all very much for very fine testimony. We will be working with you. We have some proposals along some of the lines that you have recommended, and we would like to keep in touch with you to get your reactions.

Thank you very much.

Our final witness is Charles Atkins, who is Commissioner of the Department of Public Welfare, Commonwealth of Massachusetts.

Mr. Atkins played an important role in the creation of the innovative program, E.T. Choices.

We are glad to welcome you here, Mr. Atkins. We appreciate your presence here and the work that you have done, and we look forward to your testimony.

STATEMENT OF CHARLES M. ATKINS, COMMISSIONER OF PUBLIC WELFARE, COMMONWEALTH OF MASSACHUSETTS

Mr. **Atkins**. Thank you very much, Mr. Chairman.

I am delighted to be here, and I bring you greetings from Governor Dukakis. As you know, he hopes to testify personally before your Committee in a couple of weeks.

I do want to compliment you and the Committee for focusing on this terribly important problem. It is an issue that really needs your attention, and we are counting on you and this Committee to really help us out on it.

I do not have any written testimony. What I did want to do is to take the opportunity to very briefly take the Committee through some of the charts that I have brought along with me that describe the E.T. Program. I think that is probably the best way of giving you a sense of my view of the problem and what we need to be doing with the employment and training system, JTPA in particular, to focus on it.

The first page of that set of charts is a summary of what I am going to say, but let me just very briefly go through these charts.

Chart 1 very simply states the three goals that we set out for ourselves to achieve when we planned the Employment and Training Choices Program, the E.T. Program, a little over three years ago in October of 1983. I am not going to read those three goals. I think they are quite self explanatory.

I did just want to report to you that at the present time, we have placed over 30,000 welfare recipients or applicants in Massachusetts into full- or part-time jobs toward that goal of 50,000. In terms of reducing welfare dependency, as I will show you from a subsequent chart, I am very pleased to be able to tell you that the average length of stay on welfare in Massachusetts is down substantially, and I believe it is a key result of this program.

In terms of the last goal of the cost-savings we want to achieve, I think I have got some data to indicate that this is a cost-effective program and that programs like it ought to help the Congress in the effort to reduce the deficit, which I know is of deep concern to all of us.

Chart 2 is a diagram of how the E.T. Program was planned, how it was set up three and a half years ago, and how it has been operating to date. I will not go through it in detail, other than to point out a number of things.

One, registration for the E.T. Program is mandatory by Federal law. As you well know, all AFDC recipients in this country must register for each State's work incentive program, the WIN program, with one big exception, and that is women with children under the age of six. What we have tried to do with E.T., however, is not just to make that registration a paper exercise, of which we do too much in the welfare system, but to really encourage our clients through outreach and marketing efforts to enroll in E.T. and help themselves and eventually get off welfare.

What we do, rather than fill out a form, is what that second box indicates. If a client needs support services such as day-care for her children, or transportation, we arrange to provide those services for our clients so that they can go off and get a job interview, go through a training program and eventually go to work.

The key part of E.T. are the four vertical boxes shown in the middle—hence, the name "Choices". The box on the bottom is our Division of Employment Security, the Wagner-Peyser Agency in Massachusetts. There, we have a performance-based contract—just like your legislation looks at for JTPA—we have got a performance-based contract with the Division of Employment Security to pay them to place people who are job-ready into jobs.

The next box up the ladder is our supported work program, which we have continued in Massachusetts with 100 percent state dollars given the elimination during this administration of Federal dollars. We use that program in particular to focus on the hard-to-serve clients. Only people who have been on the welfare rolls for two years or longer or who live in public housing are allowed to go into supported work programs because it is our most expensive and most intensive component.

The largest box is the one that is labelled education and training—and that is our largest need. Our statistics in Massachusetts are just like the nationwide average—over half our clients do not have a high school education. And we know that if we are going to achieve the goal as shown on this chart of moving people into unsubsidized jobs, then we have got to back up and provide those people the proper education and in particular, training, as shown here through JTPA and the Bay State Skills Corporation, in order to succeed in our goal.

Chart 3 basically just shows what people are choosing. As it indicates, almost one-third are now choosing training. As I said, that is our biggest need.

Chart 4 is a graph that just shows, toward our goal of 50,000 placements, where we were at the three-year anniversary of E.T. We started the program in October of 1983. Three years later, we were at 30,000 placements. Please note that the placements are full-time as well as part-time jobs. That is another choice that people get. If they do not want to work full-time, they do not have to. We hope that the parttime job eventually leads to a full-time job.

Chart 5 tries to answer the question we always get asked: Fine, you have destroyed the myth in Massachusetts that welfare recipients do not want to work through E.T., but what kinds of jobs are people getting?

The CHAIRMAN. Let me ask you what percent of the parttime workers would like full-time work if they had the other support services; do you know that?

Mr. ATKINS. I think over time, Senator, over 80 percent of those part-time people would want to move into full-time jobs. As you and I have discussed before, a very key constraint, however, is health insurance. Two-thirds of our job placements do have health insurance, but for the one-third that do not, unless we can somehow provide them Medicaid coverage for their children, they are going to not want to get off the welfare rolls. I think that is probably the biggest constraint.

If we could provide that coverage, I think we could move most, if not all of those part-time people into full-time employment.

Chart 5 shows two basic things. One, it is not true that welfare recipients can only hold down service or clerical-type jobs. Yes, 55 percent of our job placements now are into those two categories, but that means almost half are not. And in fact, we have found that welfare recipients in Massachusetts can hold down jobs across the spectrum of jobs that exist in Massachusetts.

The second important thing it shows is wage rate. The average wage that these people were getting in the jobs they were taking, as you can see, was over twice what the minimum wage is—or almost twice the minimum wage. This is terribly important if we are going to be able to provide enough money for that mother to support her family.

Chart 6 shows that over time, the percentage of women participating in the program who have children under the age of six has grown substantially. As you can see, it is now 41 percent. That, to me, tells me that we have got a product that our clients want, that is well worth doing, because if you remember from the second chart, women with children under the age of six do not even have to register for this program, but they want to get off welfare just as badly as anyone else.

I think the reasons for that are shown very clearly by the next chart. Chart 7 probably explains more than anything else why E.T. has been working. What Chart 7 shows on the left is that the maximum amount of money we can give the average family of three—a mother and two children—in Massachusetts, where we rank eighth in the country in terms of our welfare benefits, is all of $5,600 per year in cash. That, I am ashamed to tell you, is 40 percent below the Federal poverty level of $9,100.

No State in this country gives out enough cash benefits anymore to have families who are on welfare even reach the Federal poverty level, which we think is a minimum measure of the amount of money a family really needs to survive on.

By contrast, as this chart shows, full-time E.T. jobs are now paying starting salaries of over $12,000 per year. It did not take long for the word to spread among welfare recipients in Massachusetts that you could double the amount of money you were getting by going through E.T.; that there was nothing to lose; you were not penalized if you did not make it through; you could go back on the welfare system if you had to.

Twelve thousand dollars a year is obviously not a lot of money to raise two kids on, but it is 30 percent above that Federal poverty level. I think that simple economic reality is what has been driving E.T. and making it a success.

The next five charts summarize the effects of E.T. to date. Chart 8 shows what the effect of E.T. has been on the hardest-to-serve clients. As you can see from that righthand diagram, of those clients who have been on the welfare system five years or longer in Massachusetts, we have had the greatest drop in their caseload. That caseload has gone down 25 percent. That was an unintended consequence of E.T.

We did not set up E.T., as you saw from that first chart in terms of the goals, to reduce the caseload. We set up E.T. to help people get out of poverty. This has been an unexpected result and one that tells me that people who are on welfare—despite the myth out there that they want to stay on welfare for generations—they do not want to stay on; they want to get off.

As you can see, overall we have had a drop in the caseload of a little bit over 4 percent since we started the E.T. Program.

Chart 9 takes a look at the unemployed parent families in Massachusetts. We are one of the states, as you know, Mr. Chairman, that do not force families to break up to go on welfare, and it was quite important that we target those families in particular, just feeling that it would be a lot easier to get one of those two parents to agree to go into E.T. I think the results speak for themselves; there has been more than a 50 percent decline in two-parent welfare families in Massachusetts.

Chart 10 may be the most important chart to try and answer the "creaming" question: Okay, if you run E.T. on a first-come, first-served basis, how do you know you just have not pulled off those people who are easiest to place?

How do you know that they would not have gotten jobs anyway?

Well, I submit as evidence Chart 10, which shows, as you can see, that the average length of stay on welfare has dropped by almost 30 percent in Massachusetts, from over three years when we began E.T. to now, two and a half years.

Chart 11 is the cost/benefit, if you will, calculation—why we think this is a cost-effective program; why we would like to see the Congress get some national legislation to have all the States do it. We think it would not only benefit people who are on public assistance in this country and help them to get off, but we think it will help reduce the deficit.

The reason for that is clearly shown by this chart. On the right, it shows that it costs us $3,400 now for each person placed into a job—that is not a cost per participant, nor is it a cost per registrant. This is the bottom-line cost of someone trained and placed into a job, including all costs—administration, day-care, all rolled into one.

By contrast in Massachusetts, we are spending over twice that amount of money in public funds to maintain the average family on welfare—as this shows—the $5,600 per year that I mentioned before that a family can get in cash from AFDC, which is paid for in Massachusetts 50 percent by the Federal government; $1,440 per year in food stamps for that average family of three paid for, as you know, 100 percent by the Federal government; and that average family on AFDC in Massachusetts costs us, even though they do not get the cash, about $900 per year in Medicaid.

Another way of looking at this is that for every dollar that we have spent on E.T., we are getting more than a two dollar return.

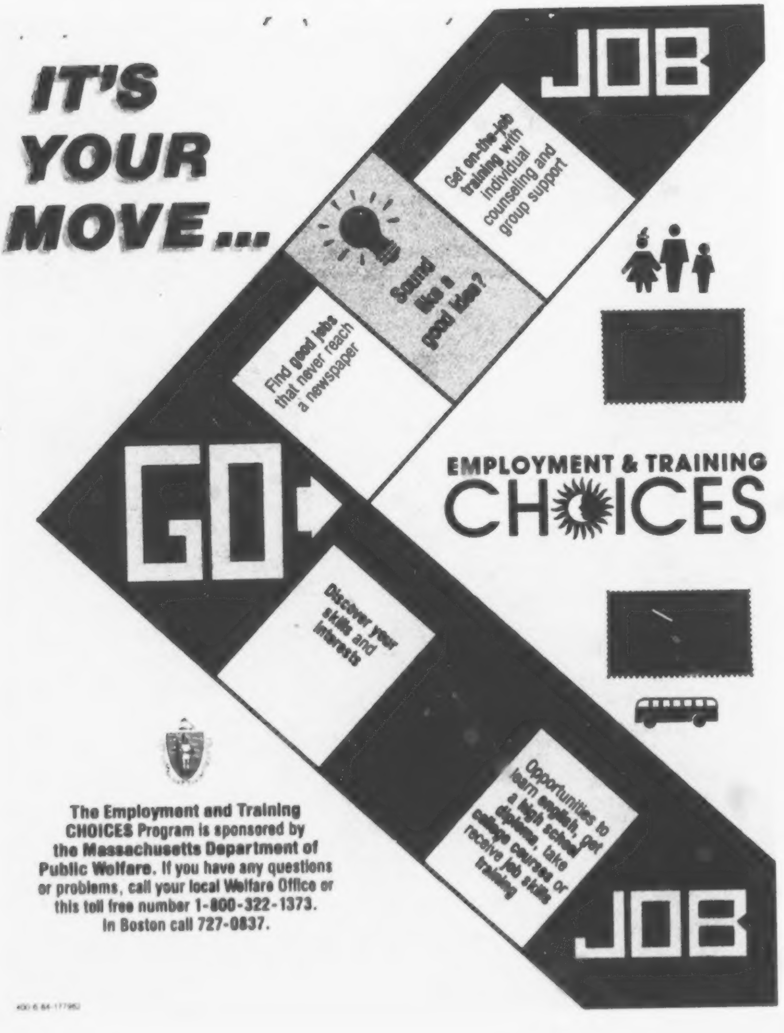
The ironic part of this is that the Federal government gets two-thirds of the savings, and yet in Massachusetts, as you know, they put up very little of the money, and the same thing is true nationwide because of cutbacks in the WIN program.

The last chart that I wanted to point out to the Committee is perhaps the Governor's favorite, and one that he may well want to talk some more about when he comes down in a couple weeks, and perhaps even give you the actual results for 1986. We are now calculating the actual amount we saved. This is a chart we put together that estimated, I believe conservatively, how much money we thought we were going to save. And, as it shows, we estimated that for the placements that we made through December of 1985, that during 1986, we would save over $100 million through reduced welfare benefits and increased Federal taxes, Social Security payments, State income taxes, and State sales taxes.

This figure of $100 million is net, after deducting all program costs, and again, the ironic part is that the Federal government is getting two-thirds of that savings.

I would be glad to answer any questions you may have, Mr. Chairman.

[Material supplied for the record follows:]


IT'S YOUR MOVE...
JOB
Get on-the-job training with individual counselling and group support
Sound like a good idea?
Find good jobs that never reach a newspaper
GO
Discover your skills and interests
Opportunities to learn english, get a high school diploma, take college courses or receive job skills training
JOB
EMPLOYMENT & TRAINING
CHOICES

The Employment and Training CHOICES Program is sponsored by the Massachusetts Department of Public Welfare. If you have any questions or problems, call your local Welfare Office or this toll free number 1-800-322-1373. In Boston call 727-0837.

400-6-84-177950

EMPLOYMENT AND TRAINING CHOICES

COMMONWEALTH OF MASSACHUSETTS
MICHAEL S. DUKAKIS, GOVERNOR

BACKGROUND

- Employment and Training Choices is Massachusetts' employment program for people on public assistance.
- The program is known as ET.
- ET began in October of 1983.

ET RESULTS

- More than 30,000 welfare recipients and applicants have obtained full or part-time jobs through ET (in addition to 600 clients a month who get jobs on their own).
- Massachusetts' welfare caseload has declined more than 4% -- from 88,500 in October, 1983 to 84,700 in January, 1987, despite the fact that welfare benefits have increased 32% since 1983.
- Over the last 4 years, welfare caseloads in the nation's 12 largest welfare states have increased an average of 6%.
- The average starting salary for full-time ET placements is $12,000 per year, more than twice the average yearly welfare grant of $5,600 per year.
- All the jobs are unsubsidized (80% are in the private sector) and over two-thirds of the jobs provide health insurance.
- Of the people who go off welfare through ET, 86% are still off welfare one year later.
- After deducting the cost of the program, ET will save an estimated $107 million in 1986 in reduced welfare benefits and new revenues from Social Security contributions and income and sales taxes.

ET PROGRAM

- ET participants may chcose:
  - assessment and career counseling
  - education and skills training
  - on-the-job training through Supported Work
  - job placement through the Division of Employment Security
- Daycare and transportation allowances are available to all ET participants.

ET EMPLOYERS

- More than 8,000 Massachusetts firms have hired ET graduates.
- Employers have stated that the ET graduates they have hired are exceptionally well-trained and highly motivated.

January, 1987

CHART 1

FIVE YEAR PROGRAM GOALS

- Place 50,000 Welfare Recipients into Jobs
- Reduce Welfare Dependency
- Save $150 Million in Welfare Benefits

1/87

CHART 2

1/87

ET CHOICES FLOW CHART

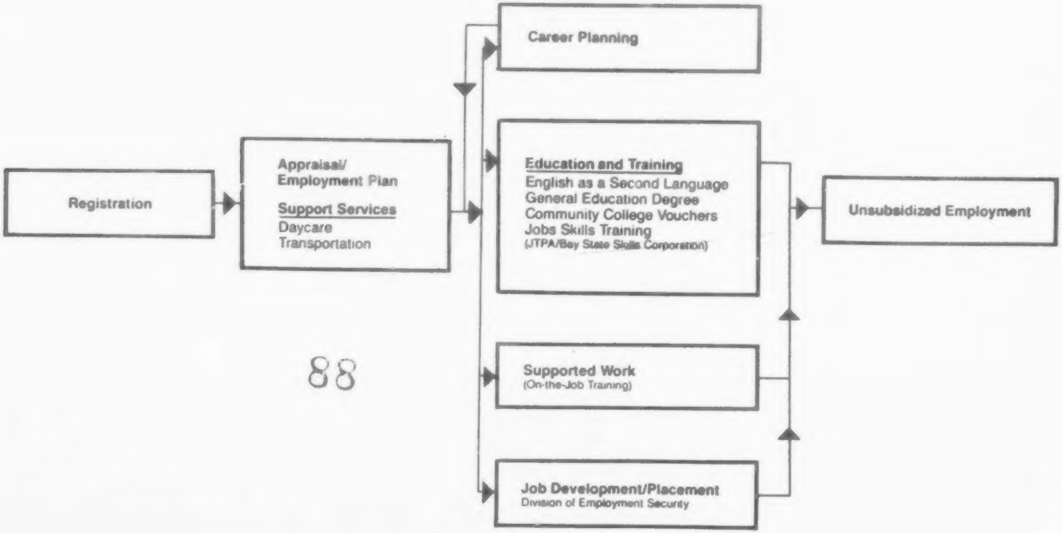
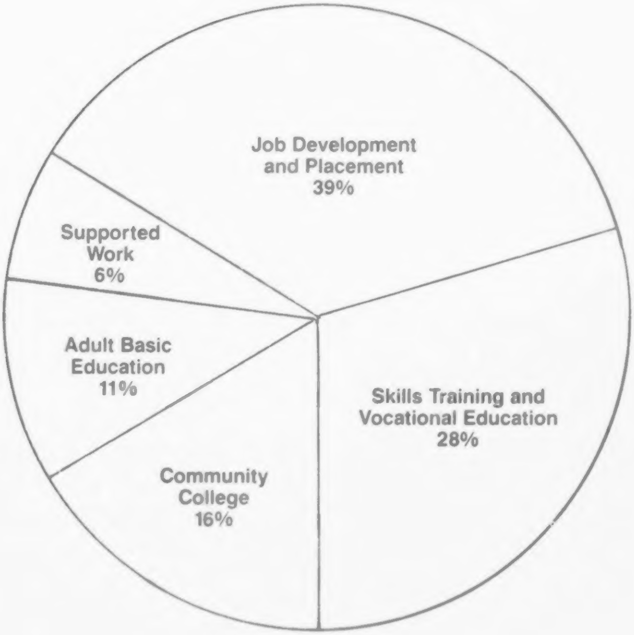

Registration
Appraisal/ Employment Plan
Support Services
Daycare
Transportation
Career Planning
Education and Training
English as a Second Language
General Education Degree
Community College Vouchers
Jobs Skills Training
(JTPA/Bay State Skills Corporation)
Supported Work
(On-the-Job Training)
Job Development/Placement
Division of Employment Security
Unsubsidized Employment

CHART 3

PROGRAM CHOICES BY ET PARTICIPANTS



In addition, 17% of these ET participants also chose Career Planning

9/86

88 a

CHART 4

10/86

ET JOB PLACEMENTS
ACTUAL VS. GOAL

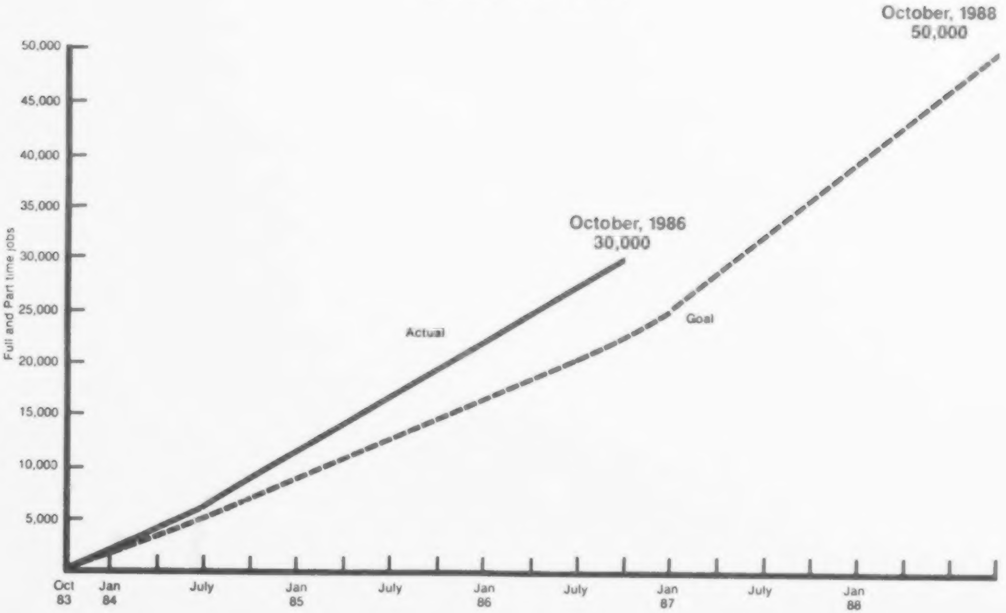


CHART E

ET JOBS AND WAGES

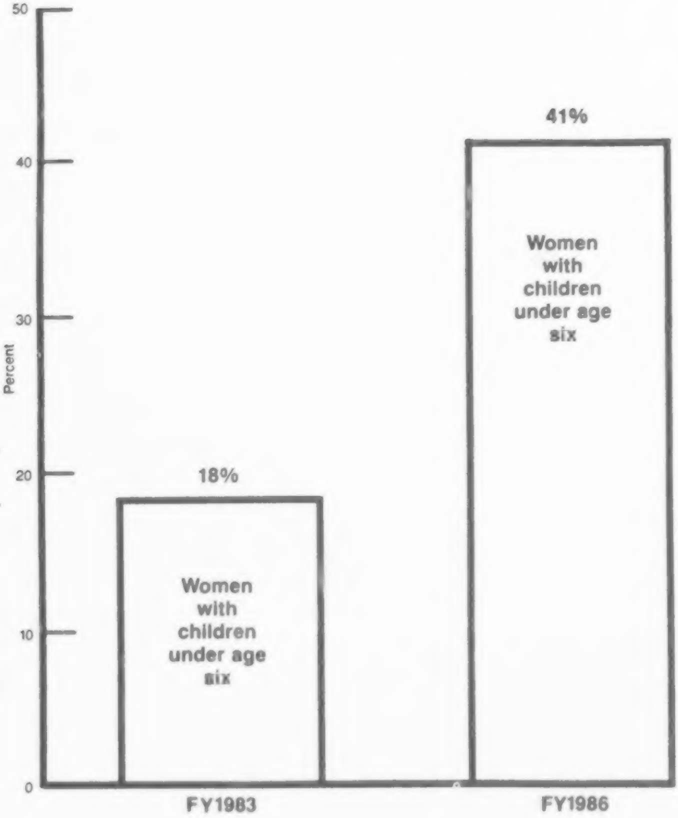
Distribution of Jobs	Occupation	Median Hourly Wage
1%	Farming, Fishing, Forestry	$ 6.50
2%	Processing	$ 5.99
3%	Transportation	$ 7.13
3%	Sales	$ 6.25
5%	Machine Trades	$ 6.05
5%	Packing/Handling	$ 6.00
6%	Benchwork	$ 6.00
7%	Construction	$ 7.00
13%	Professional/Managerial	$ 7.50
15%	Service	$ 6.00
40%	Clerical	$ 5.90
100%		$ 6.24

Data from Division of Employment Security Job Development and Placement Services only, July, 1986 through December, 1986

1/87

CHART 6

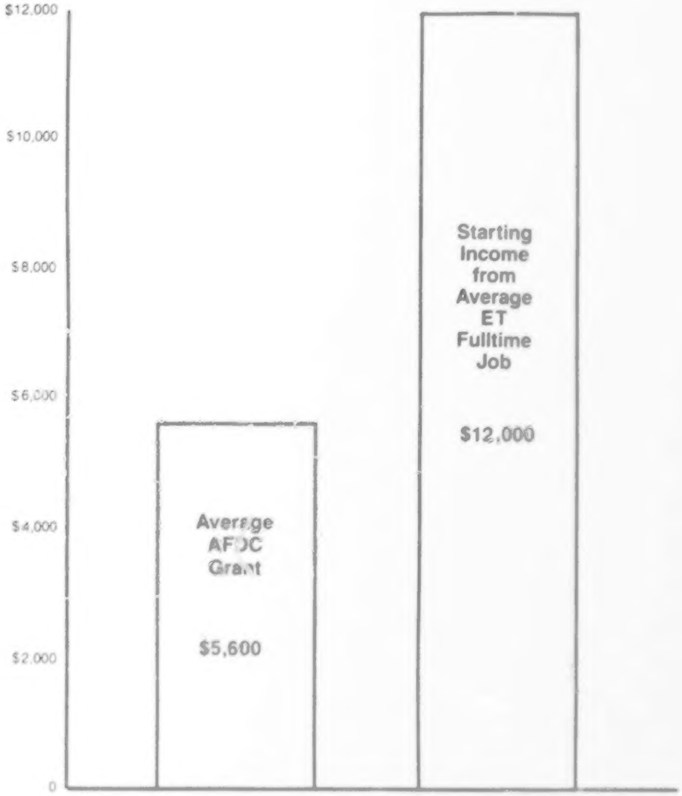
ET PARTICIPANTS



Figures for first 3 months of FY84 (Oct.–Dec. 1983) and first 6 months of FY 87 (July 1, 1986 through Dec 31, 1986). 1/87

CHART 7

INCOME: WELFARE VS. WAGES
FISCAL YEAR 1987

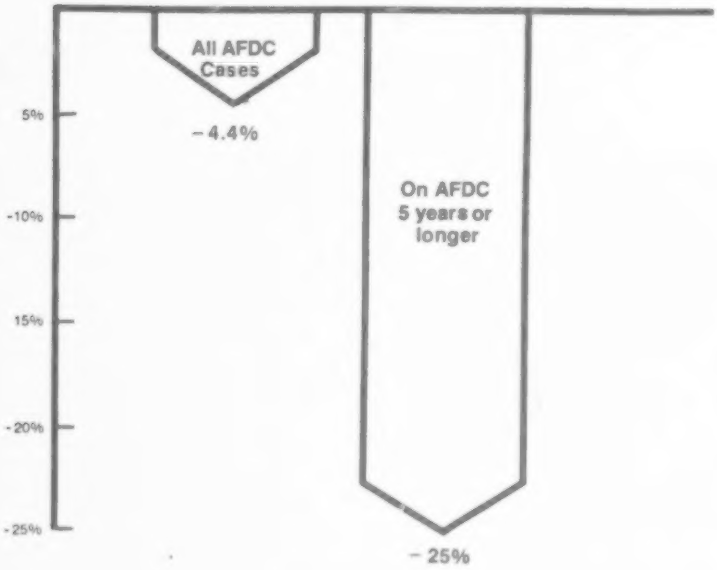


Data for July through Dec. 1986

1/87

CHART 8

EFFECT OF ET ON HARD TO SERVE CLIENTS

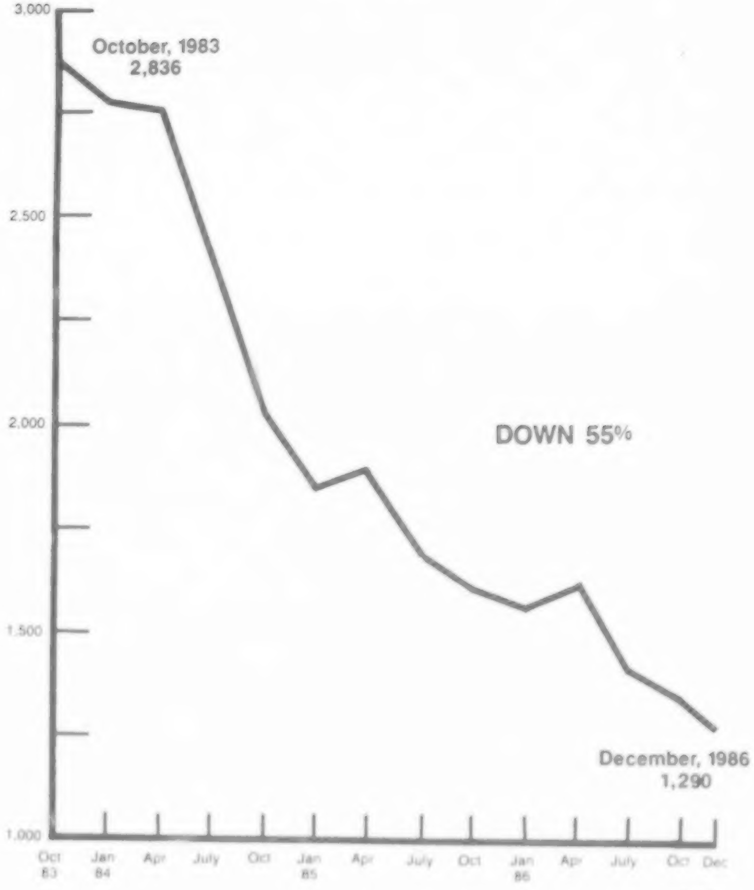


Data for Oct 1983 through Dec 1986

1/87

CHART 9

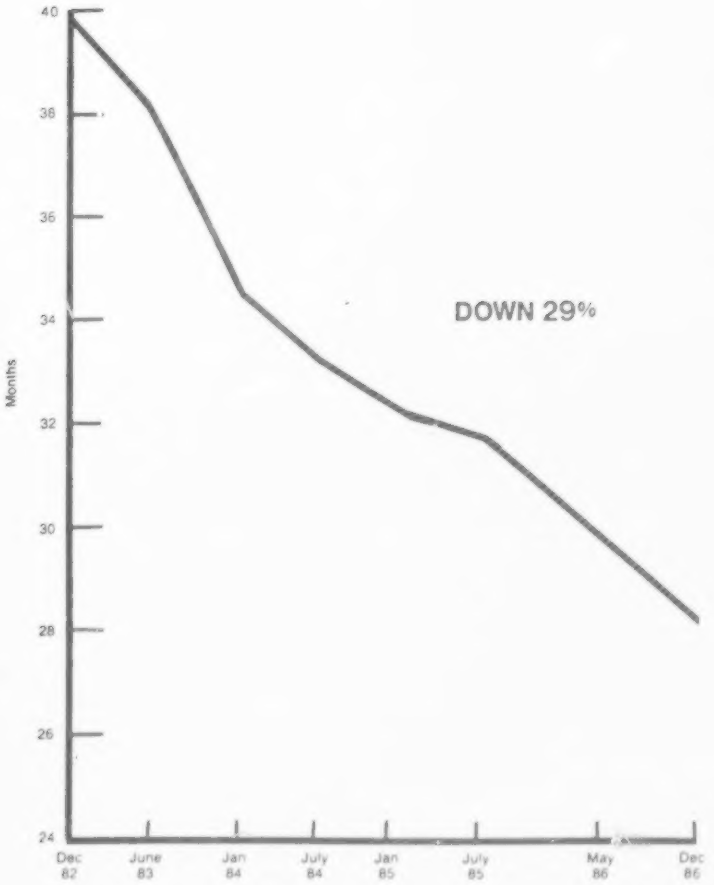
EFFECT OF ET ON TWO-PARENT WELFARE FAMILIES 1983–1986



1/87

CHART 10

AVERAGE LENGTH OF STAY ON AFDC



Data for open and closed AFDC cases

1/87

CHART 11

AVERAGE PER CAPITA COSTS

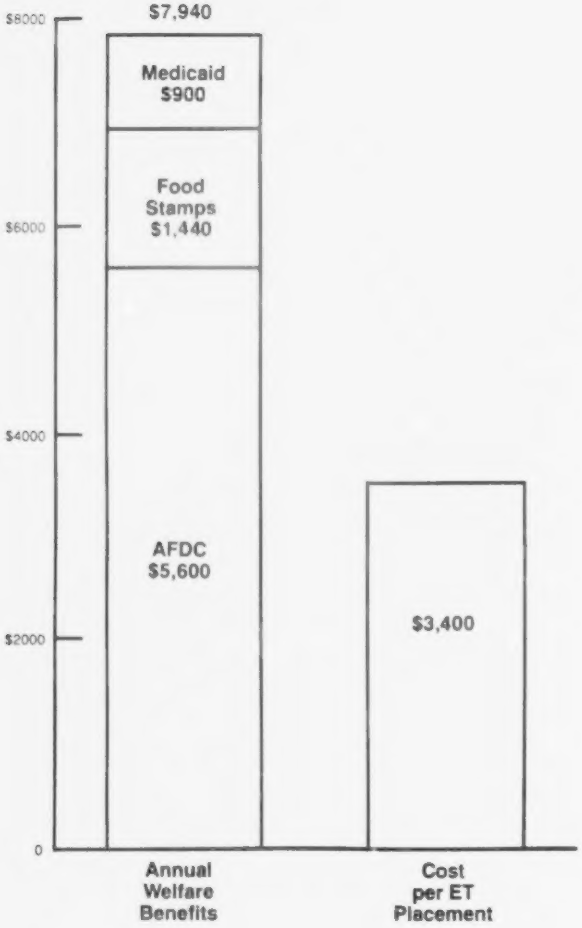


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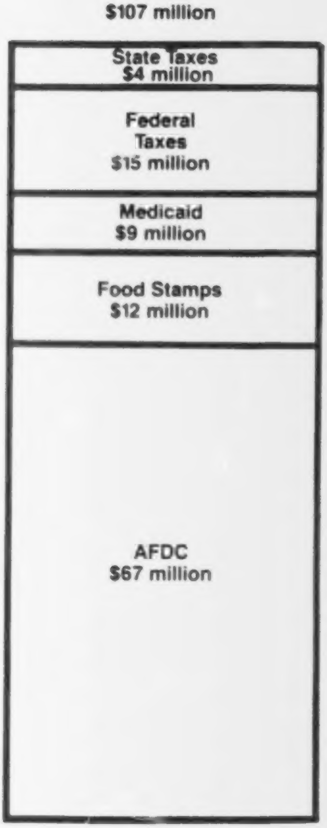
CHART 12

NET ET SAVINGS*



*Estimated calendar 1986 savings for ET placements through 12/85, after all program costs have been subtracted.

10/86

The **Chairman**. Thank you. I think you have given an excellent summary of the program, not only in its procedures, but also in its success and its savings.

It is sometimes said about the program in Massachusetts that the decline in the numbers of people on welfare and others is a result of the relatively low unemployment figures. I am wondering if you would address that issue.

Mr. **Atkins**. Certainly, Mr. Chairman. I personally do not believe, unfortunately, that the tremendous economy that we have had in Massachusetts has had much of anything to do with lowering the welfare caseload in Massachusetts. Yes, the welfare caseload in Massachusetts has gone down by over 4 percent since we began E.T. However, I think the booming economy—the fact that we have one of the lowest unemployment rates in the country—has done something very, very important for E.T., and that is provided the wages high enough to enable women to get off welfare, to go to work and support their families.

But I do not think it is anything but those wages. The reason I say that—and the Governor may wish to speak some more about this himself—during his first term as Governor from 1974 to 1978, he had a very unfortunate thing happen. The good news was that the unemployment rate dropped in half, from 12 percent to 6 percent. The economic development strategies that he put to work in some of the older cities in Massachusetts paid off in that first four-year term just as they have paid off in his past four-year term, where we have seen a similar decline in the unemployment rate.

The difference is, in his first term as Governor from 1974 to 1978, while the unemployment rate in Massachusetts dropped in half, the welfare caseload went up by 15 percent. There was no E.T. Program in the first administration from 1974 to 1978. There was no way these single women with children on welfare could take advantage of that booming economy.

A rising tide might lift all boats, but what has happened, I think, in Massachusetts is that E.T. has provided the economic "boat" for those single women on welfare to get into. And if we did not have a program like E.T. in place that would provide even some of the basic things as day-care or reimbursement for public transportation, much less the training, all the best economies in the world will not help, I believe, that population of single women with children.

The **Chairman**. Do you have information on other similar types of programs in other parts of the country and how they have worked—perhaps in some States or communities which do not have such an expanding economy as Massachusetts?

Mr. **Atkins**. I am sorry, Mr. Chairman, I do not have the benefit of the knowledge to the detail I have of E.T. I do know that in a number of large States, California and Illinois have now begun programs based upon E.T. And without putting words in his mouth, my counterpart from the State of Illinois, Greg Coler, who is the Director of the Department of Public Aid out there, says that Governor Thompson instructed him to begin a program like E.T. in Illinois despite the fact that they have not had an improving economy like Massachusetts, for exactly the reasons that I said, that we believe that we have got to have the training and the day-care in place if we at all can possibly expect these women to get off the welfare rolls; that it is not good enough just to wait for the booming economy to happen. There is always turnover in the economy even in times of high unemployment, and we have got to give these women a shot to get at those jobs.

The other reason that my counterpart and I feel strongly that we have got to have a program in place to help women get off the welfare rolls is that the welfare system, as we all know, just does not work; it does not work from anyone's point of view. In particular, it does not work from the clients' point of view, because they do not get enough money to support their families even up to the Federal poverty level, as I said before, and it does not work from the workers' point of view, who spend an inordinate amount of time filling out forms.

What we have been able to do in Massachusetts—and my counterpart from Illinois says he has seen the same effect in Illinois—is that we have got the workers believing that their mission is to help people out of poverty; that it is not just filling out a form; that when they are sitting across the desk from a woman with two kids who has come to them temporarily for some public assistance—that they become terribly excited about the fact that there is a route out of poverty they can offer to their clients, and that has made all the difference in the attitude our workers are taking toward their clients. It is an attitude that we are there to help, not just to determine eligibility with a low error rate.

The CHAIRMAN. As you might have heard from our earlier panels, we have talked a little bit about trying to focus in on the harder-core dependency group. How applicable is the E.T. experience to that harder-core dependency group? We have obviously had some impact on them from these charts. But if we are trying to extrapolate from the experience of E.T., how can we extrapolate to focus on the more heavily dependent group?

Mr. ATKINS. I think that is a terrific question, Mr. Chairman. I heard the testimony of some of the previous panelists, some of whom I have had the pleasure, like Mr. Coard and Gary Walker and Bob Greenstein and David Ellwood, of working with for years.

Back in the old CETA days, we used to view welfare recipients as among the hard-core unemployed. And in fact, one of the valid criticism, I believe, of the old CETA system was that it did not take welfare recipients off the welfare rolls and put them into training programs and place them into jobs, for exactly the reasons that some of the previous panelists have testified to, because the CETA system got rated on how well they did in terms of retention rates and wage rates, and there was really this myth, this belief out there, that welfare recipients could not work, did not want to work, so why waste your time.

We have got now, not just in Massachusetts, but we have got it in California, Illinois, and it is proposed in the State of Washington, the same kind of approach. We have broken through that barrier of thinking that welfare recipients as a total group are among the hard-core unemployed. We have now got the statistics to show that, in fact that is not the case—that they can go to work and they do want to go to work.

Within that group of welfare recipients, there clearly are people for whom we will have to make more effort to help get off the welfare rolls. And I have been working closely with David Ellwood in particular, from the Kennedy School, to refocus E.T. to go after those people. It was at David Ellwood's suggestion that in fact we have taken our supportive work programs, as I have mentioned to you, and focused them in on people who have been on the caseload two years or longer, or people who live in public housing.

I think there are ways that we can use programs like this and the JTPA system to focus in on the hard-core unemployed. It will take some more effort, some more time, and that means some more money.

For example, we are now finding people coming forward in Massachusetts who say, "I have heard about E.T. I have heard I have nothing to lose. I have heard I might be able to double the amount of money I get to live on. I want to get off as well." It turns out they have a fifth grade educational level. We have got to back up, finish their educational training, and then perhaps put them through a skills training program before we can place them into a job. That is not going to happen in a year. It is going to take some time and therefore some money. But the critical part, I think, is for the Congress to be able to do something about the cutbacks in the Work Incentive Program—WIN—which, as you well know, have now been cut back to $110 million nationwide this year.

We need the money to invest, and then I think we are going to get the payoff in terms of getting people who are among the hard-core unemployed, welfare recipients in particular, to work.

The CHAIRMAN. Are you basically talking about expanding, on page 2, the supportive work program and the education and training programs? Is that what you are talking about?

Mr. ATKINS. That is exactly right, Mr. Chairman. In a way, what has to happen is that diagram on page 2 has to become a pipeline for some of our clients, that first, they have got to go through that adult basic education program, perhaps English as a second language, before we can have any hope of actually getting them into a job—and this is the key—paying enough for them to support their families.

The CHAIRMAN. So to target those, then, you are really talking about expanding this concept in certain ways, the E.T. concept, rather than re-inventing the wheel in terms of some other kind of program for the hard-core; am I correct in that?

Mr. ATKINS. Yes, you are absolutely correct. One of the key points about E.T. is that we have tried not to reinvent the wheel. We have tried in the Welfare Department, which has the responsibility to run the E.T. Program, to contract out with those State agencies and nonprofit organizations like Mr. Coard's, that have been in the business of doing the training or educating or job development and job placement.

It is terribly important that we not re-invent the wheel, but I do think using the types of incentives that we have been talking about, performance-based contracting, that we can get that education and employment and training system to respond to the hard-core unemployed.

The **Chairman**. I know that E.T. uses incentive bonuses to get results from other government agencies; could you describe that to the Committee?

Mr. **Atkins**. Certainly. One of the things that we have now learned over the past three years is that we have got to not just measure our success in terms of quantity—the over 31,000 people who have been placed in the full- or part-time jobs—but we have got to have some quality measures as well, like retention rates, wage rates, day-care, health care, whether or not it is offered by the employer.

So what we have structured are a set of payments whereby our contractors get paid not just to place someone into any job, but a job that lasts at least 30 days, and they get additional incentive payments if the job is above a certain wage level, so that we have tried to avoid the low-wage, minimum-wage jobs being thrown at our clients and get those contractors out there who have those private sector jobs available to them, get them to give us the higher-wage jobs.

It has been working in terms of expenditures of public funds as an incentive payment.

The **Chairman**. Twelve thousand dollars is a good deal more than I would think most people would expect. Has it been at that level, or has it moved up to that level, or——

Mr. **Atkins**. It started, Mr. Chairman, at below $10,000 per year, and we had initially set the goal of trying to shoot for jobs that paid at least 150 percent of the welfare grant. Much to our surprise, what started to happen was the welfare mothers were going off, pulling in jobs earning 200 percent of the welfare grant.

As we have increased welfare benefits in Massachusetts over the past four years to try and reduce the homelessness in the State, our contractors have managed to keep that ratio. So it did start below $10,000 per year, and is now over $12,000 per year, and will soon be over $13,000 per year.

I give the credit for that again to the economy, which has provided those kinds of high-wage jobs, but most importantly to those mothers; they know what it takes to support their families. And I have literally watched some of our E.T. graduates turn down jobs that either did not pay enough or did not have the right fringe benefits, such as health care. They know what it takes.

The other thing we are told by businesses that have hired our clients is that they turn out to be, much to everyone's very pleasant surprise, among their most motivated employees, because of the very fact that those mothers knew that they could not exist on what we could give them on welfare once they had gotten a job paying enough to support their families, had some dignity restored, could buy their kids clothing and simple things like ice cream cones, and they worked very hard not just to keep those jobs, but to get promoted.

The **Chairman**. Finally, on the savings to the Federal government from this program, could you describe that to us a bit?

Mr. **Atkins**. Certainly. We are now spending in Massachusetts about $50 million a year on E.T. Less than 20 percent of that money comes from the Federal government. Yet, because of the fact that in Massachusetts, as in 15 other States, the Federal government pays for 50 percent of the AFDC program and 50 percent of the Medicaid program—in most States, the Federal government pays for more than 50 percent—but because they pay for 50 percent of those two programs in Massachusetts and 100 percent of the food stamp program, the way that the reduction in welfare benefits works out and the increase in Federal and State taxes is that the Federal government gets two-thirds of the savings.

In other words, in most of the States in this country, the Federal government would get even more of the savings. So we really believe that for this return of two dollars saved in the way of reduction of welfare benefits for every dollar invested, that since two-thirds of that savings in Massachusetts and more in other States is going to the Federal government, that it is critically important that the Federal government be the one to fund programs like this, critically important that there be some national legislation to allow all the States to run programs like this.

Many of the States are not as fortunate as we have been in Massachusetts where, over the past four years, we have had substantial revenues that have allowed us to put State funds into this program. We think this program can work in any State, but that the Federal government, since the Federal government is getting most of the savings, ought to be and has got to be the driving force behind getting the States to run programs like this.

The CHAIRMAN. I am sure you are aware of the Warren Brookes article in the Wall Street Journal, about the fact that the numbers on welfare in Massachusetts actually increased over this period. What is your response to that?

Mr. ATKINS. Thank you for bringing that up, Mr. Chairman, because I would really like to get this into the record.

Mr. Brookes is dead wrong. He is dead wrong on three counts. One, it is not true, as he alleged in his article that was published on Wednesday, that the welfare rolls in Massachusetts have gone up since September of 1983.

I have brought with me the official caseload reports from September of 1983 and September of 1986, which I would like to read into the record, which are in direct contrast to his claim that the welfare rolls went up by .5 percent. The fact of the matter is that in September of 1983, there were 88,569 families on welfare in Massachusetts—this is the AFDC program. In September of 1986, three years later, the welfare rolls had declined by over 4 percent, to 84,823—again, in direct contrast to what Mr. Brookes said. That is point one.

Point two is that we have never used E.T. as a way, nor would we want to, of trying to reduce the welfare rolls. Chart 1, which I showed you, which was the way we designed the program, the way the program was submitted to the Federal government for approval, does not have on it, as you can well see, any goal of reducing the welfare rolls. It has a goal of reducing welfare dependency, which I think that average length of stay declining by 29 percent documents.

But the reason that we would not try and set as a goal reducing the welfare rolls through a program like E.T., and why I would not recommend that any state try and do that is that until we, as a nation, can control the causes, until we can control the inputs, until we can do something about the people coming onto welfare, we are not going to be able to use a program like E.T. or anything else to control the number of people on the welfare caseload.

You were kind enough last Saturday to come to the State House in Boston to kick off the day-long conference that the Governor had on "Bringing Down The Barriers to Opportunity", and as you heard, the five barriers that the Governor identified—teenage pregnancy, high school drop-outs, adult illiteracy, drug and alcohol abuse, and child support—those five barriers are five important causes of poverty and welfare dependency.

One cannot control those factors, unfortunately. For instance, 90 percent of the adults who are on welfare in Massachusetts are there because of the legal reason of the absence of one parent who is not paying child support, in most cases. Until we can fix that, you cannot use an employment and training program to reduce the welfare rolls. You can use it to shorten the length of time that people stay on welfare, to reduce that average length of stay.

The third thing where Mr. Brookes is dead wrong is that he claims our costs this year were going to be up to $4,200 per placement. As I have testified, and as I have shown you, the costs have actually gone down. Through good management, hard work of the JTPA system and other contractors out there, they have gone down to $3,400 per placement.

I do want to mention one area where Mr. Brookes is right. He says in his article that if E.T. were replicated nationwide, it might cost $1.5 to $2.5 billion nationally.

That may well be correct, and in fact, I sincerely believe it is what this country ought to be doing.

The **CHAIRMAN**. Senator Adams?

Senator **ADAMS**. Thank you, Mr. Chairman, and thank you, Mr. Atkins.

I assume you have been in touch with the people in the State of Washington, where a similar proposal is pending in the legislature?

Mr. **ATKINS**. Yes. I had the pleasure of meeting with Jule Sugarman, your relatively new Secretary of Health and Human Services out in the State of Washington, to discuss his proposal. Jule is another person I have worked with for many years; I worked with him in the Lindsay administration back in the 1970s. He has got a terrific program put together out there.

Senator **ADAMS**. Thank you. I am hopeful that they will pass it.

I have just two questions, because they have come up in connection with that program. One, since there is a period of time between when you enter a program and when you may be placed; are incentive bonuses necessary, during this transition period and did you use it in Massachusetts?

Mr. **ATKINS**. Yes, we did, although more importantly, I believe, is that we have used a bonus or incentive, if you will, after someone has been placed. The incentive that we have used before someone has been placed is that we offer our clients a $100 clothing allowance once they agree to take a job, for the very simple reason that, again, because we do not give them enough money to reach the Federal poverty level, in some cases they do not have the proper clothes to go to work.

What is even more important, however, is that once someone has taken a job, that we not end all public assistance benefits immediately.

Senator ADAMS. Yes.

Mr. ATKINS. That cliff, we have learned from E.T., is a terribly important cliff to try and extend over time. What we do in Massachusetts is that we will continue someone on state-supported day-care through the E.T. Program for up to a year after she has left the welfare rolls, hoping that over the course of that year that perhaps she has gotten settled in her job, perhaps gotten a raise, and then can handle a little bit better paying for that day-care herself.

The second thing that we would like to do is to have a complementary program of extending Medicaid benefits for up to a year after someone has left the welfare rolls. Right now, all we can do by Federal legislation is to have everyone on Medicaid if they do not have health insurance through their employer, for four months. We would like to be able to do that for at least 12 months so it is complementary with day-care.

The Governor, when he testifies, may talk about what we are doing, which is that we can offer someone enrollment in an HMO or a similar pre-paid program like that for up to a year. But we do have, unfortunately, a third of our clients who are being placed in jobs where, once that Medicaid runs out after four months, they have no health insurance, and I think we are making a very tragic mistake to put those kids at risk of not having health care.

So I would hope that at least those two, day-care and health care, would be benefits that the Congress would see the wisdom of providing over some period of time after someone has left the welfare rolls until she is up and running on her feet.

Senator ADAMS. My final question deals with the education component of your program. I am somewhat familiar with your alternative high school education program in the State of Massachusetts, where you are dealing with people of a wide variety of ages and educational levels.

What experiences have you had in trying to move people who are very often older, or have significant learning problems, through the high school educational level?

Mr. ATKINS. I guess I would answer that in two ways—and again, this is something the Governor may wish to discuss more. At this conference I mentioned that we held last Saturday, a lot of attention was paid to adult illiteracy and what we can do to try and address that problem; and it sounds to me like we do need some alternative approaches.

On the other hand there are, just as we found with the training system in JTPA, some good programs out there that we have got to get better access to. A terrific incentive that would help terribly much in programs like this that we would like to get some help from the Congress on is something that Senator Kennedy and I have talked about before. Currently, when someone gets a Pell Grant to allow them to go to college while they are on public assistance—a poor person who might be trying to further her education—we are forced to do what I think is a ridiculous thing of reducing her food stamps. So she literally has a choice of either trying to finish her education, which will hopefully lead to a job paying enough for her to support her family, or not feeding her family, in certain cases.

Time and time again, I have gotten letters, I know Senator Kennedy has gotten letters, from people in Massachusetts who do not understand why the government is not trying to help them through that educational process.

Fourteen hundred and forty dollars a year, the average amount of money that family of three in Massachusetts gets in food stamps, is not, it seems to me, too much money to invest to get that family the proper education. It would help terribly much if we could in fact continue food stamps for people who are getting those Pell Grants and not have their food stamps reduced.

Senator ADAMS. Thank you, Mr. Chairman.

The CHAIRMAN. Let me just finally ask, Mr. Atkins, about the private sector, the industries you have been working with up there. Could you fill us in on how they are viewing the program now?

Mr. ATKINS. Certainly. We could not have done as well, as I hope I have indicated by these charts, with the E.T. Program were it not for the private sector. We purposely chose a strategy, as Chart 2 shows, of not running a workfare program in Massachusetts. Governor Dukakis tried that, as you know, in his first term in office in 1977; Governor King, who then succeeded Governor Dukakis for a four-year term, tried a workfare program in 1982. And one of the things that we very purposely did not want to do was another workfare program. Both of those previous attempts at workfare had failed.

The public service employment program in the CETA days, I believe, failed. And I believe the reason that the PSE program and workfare programs have failed is in large part because where the jobs are in our society are in the private sector. Eighty percent of the jobs that we have got are in the private sector; the others are in government.

But what we set as a goal here was placing into—as Chart 2 indicates—unsubsidized employment, which meant the private sector. If it were not for the willingness of the private sector to take our clients, we would not have a program.

On the other hand there is a very big stereotype out there about who is on welfare that I do not think we have quite succeeded in destroying in Massachusetts or anywhere in this country. And we did not want to have people on welfare in Massachusetts have the handicap, like they had in previous workfare programs, of going to the private sector, trying to get a job where the personnel manager or even the head of the firm might look at them and say, "Well, you are on welfare. I have got a certain stereotype of what I think about people on welfare, and why should I take a risk of hiring you?"

We do not advertise when we send people over to look for a job at a private company, that they have been on welfare, that they are an E.T. graduate. In fact, that is why we use in large part the existing nonprofit agencies and State organizations out there, because when they are through training or educating or job-placing someone, what the private sector gets is someone, as far as they are concerned, just like anyone else who one of these agencies might have sent them. The major difference is that they find out, as I said before, that this group of people turns out to be incredibly well-motivated once they get one of those jobs.

There is a very critical dependence upon the private sector, but not something that one wants to advertise that this is a welfare recipient, because I think that is putting too many strikes against that person.

The **Chairman**. Could you just describe the relationship that E.T. has with the JTPA?

Mr. **Atkins**. Certainly. We have in Massachusetts 15 Private Industry Councils. I sit on the Boston Private Industry Council, as Mr. Coard said he did. And the reason I sit on it is that what we have managed to do in Massachusetts is to have the appointing authority, the person who appoints—in the case of Boston, the Mayor of Boston—the members of the Private Industry Council appoint a representative from the Welfare Department on each one of the Private Industry Councils.

Since the Private Industry Councils are as many as 30 or 40 members, one vote is not something that is going to determine exactly how the Private Industry Council spends their money, but at least we have someone at the table who can make the arguments about E.T., who can say, "Look, it is important that the JTPA system train and place welfare recipients into jobs. It is not true that they are the hard-core unemployed. It is not true, all the stereotypes that are out there about large families, about them being on welfare for generations, about them not wanting to work." We have got someone who can present the facts about who is on welfare in Massachusetts. And that is almost half the battle.

The other thing that we have done is that we have put some money on the table. The JTPA system in Massachusetts, as you well know, has been cut back substantially. What we have been able to do with E.T. funds—which have grown from when we first started the program in 1983 from $23 million to, the $50 million we have this year to to spend on E.T.—is we have taken a portion of that money and gone to the JTPA system and said, "Look, we will augment those Federal funds that you are getting to train people. We still want you to train a certain number of welfare recipients and place them into jobs with your JTPA funds"—a maintenance of effort that is about 30 percent of their slots—"but in addition to that, if you are willing to take on some more training responsibilities, we will give you some E.T. funds to train and place welfare recipients into jobs." And we have set it up with the kinds of incentives you were talking about before—that it is not just the job that they train and place someone into, but if they are able to get above a high enough wage rate in their particular service delivery area, we will give them a bonus. That has worked real well to get them to focus in on our clients.

So there has been a very good working relationship with that JTPA system by and large across the State.

The **Chairman**. That is an excellent presentation, and I cannot help but believe that that experience that we have seen up there, for the reasons that you very well-articulated today, can have an important impact nationwide.

It seems to me that we are seeing a variety of different variations of that program. I was talking to Governor Thompson in Illinois yesterday, and they recognize E.T. and they have developed their own way of approaching it; others have as well, Governors, Mayors, States. It is something that is working, and it seems to me that we ought to be able to give it some national application in ways that are going to offer new opportunities for the individuals who are victims of welfare dependency and have every desire to move out of it. And I think the case for that has been well-stated and well-made by your own presentation and by those of others, and that we ought to be meeting our responsibility to those individuals. I think we can; I hope we will. We may not be able to go as far as all of us might like, initially, but I think we can get ourselves on to that path. That is certainly what I am committed to, and we are going to work closely with you as we try and do that.

I want to thank you for an excellent presentation. We look forward to seeing the Governor.

The Committee stands in recess.

Mr. ATKINS. Thank you, Mr. Chairman.

[Whereupon, at 1 p.m., the Committee was adjourned.]

WORK AND WELFARE

TUESDAY, FEBRUARY 3, 1987

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee convened, pursuant to notice, at 10:07 a.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Hatch, Pell, Metzenbaum, Simon, Specter, and Mikulski.

OPENING STATEMENT OF SENATOR KENNEDY

The **CHAIRMAN**. We will come to order.

I am going to include in the record my full statement and comments, since we just had the opportunity to do it a few moments ago, and then will recognize my colleague and friend from Utah, Senator Hatch.

In last year's State of the Union message, the President promised a study on welfare reform—and he promised to find a way to provide work for those who otherwise will spend years of their lives on welfare. In last week's State of the Union message, the President promised another study on welfare reform after a long period of experimentation in some states and communities.

The time for study has passed. Every year, four million American families receive Aid to Families with Dependent Children. Most of these families will be on relief for most of the next ten years. And let's be clear about the cost of a life on welfare to their lives, because AFDC is no picnic. In every state in this Union, AFDC will provide a family with an income below the poverty line, and the poverty line is the amount of money a family needs to buy the bare minimum of food that the government deems essential. Below the poverty line, there is no room for new clothes; there is no room for child care; there is often no room for essential medical care; there is no room for decent housing or any of the other blessings of opportunity that the rest of us take for granted.

And it has gotten worse—real AFDC benefits have been eroded by inflation by thirty percent in the last ten years.

The cost of the lives of the poor—and especially to the children who live in these families, children who never chose to be born into destitution and squalor—cannot be estimated, but we know that the cost is too high. Too high in poor health, broken dreams, lost hope and crushed spirit.

And the cost to the rest of society is enormous as well. If we look only at the philistine measure of dollars spent to stem this tide of misery, billions have been spent and will be spent on families that will spend most of their lives below the poverty line.

There is a way out and a way up. In Massachusetts, the Employment and Training Choices program, known as E.T., has under the leadership of Governor Dukakis brought new opportunities for work to thousands of families who otherwise had no chance. By providing job training and support services to families in poverty, Massachusetts has reduced the number of families that stay on welfare for five years or more by twenty five percent. The average amount of time that a family spends on welfare has been reduced by nearly one third. And thousands of families previously condemned to lives on welfare now support themselves with decent jobs in the private sector.

And the state's efforts have paid off for the federal government. Millions of federal dollars have been saved because families that would have needed public assistance no longer take it—instead, they earn money and pay taxes.

Today, I am introducing legislation that will help build these ladders of opportunity in more states and cities. The bill is called Jobs for Employable Dependent Individuals, or JEDI. The fundamental concept is to pay bonuses to states that succeed in training and employing long term welfare dependents. The bonuses will be based on the federal savings produced by state efforts. The federal government will not hand out any bonuses until after the savings have already been achieved.

The bill will also retarget present, unspent funds in the Job Training Partnership Act to states that have the largest welfare populations.

This bill is action where it is needed and when it is needed—now, before more families are needlessly consigned to years of destitution, dependency, and despair.

The bill is budget-conscious, but it is also conscious of the urgent need to act and the impressive evidence that action will succeed. It is also a prime example of my view that America does not have to spend more to do more.

These are the principles on which our legislative efforts must be founded and I am pleased to introduce this measure today.

Hearings on the legislation will begin after this press conference, and I hope to bring this bill to the full Committee for action as soon as possible.

Senator Hatch.

OPENING STATEMENT OF SENATOR HATCH

Senator HATCH. Thank you, Senator Kennedy.

Mr. Chairman, I would like to welcome all the witnesses here to the Committee this morning, especially Governor Dukakis, and of course, my old friend, Reverend Leon Sullivan, and Raul Yzaguirre, Governor Madeleine Kunin, and all other witnesses who will be testifying. We are very happy to have all of you here, and we look forward to hearing your testimony, analyzing it, looking it over to see what we can do to do better in these particular areas.

The Governors who will testify today administer two of our nation's best State efforts to develop and implement innovative programs to assist those in our society who want a hand up instead of a hand-out.

I would just point out, Mr. Chairman, that good things are happening in other States as well. In Utah, for example, a Self-Sufficiency Program for AFDC recipients and displaced homemakers has been producing promising initial results. This program is based on the internship concept, a concept Senators and Congressmen have endorsed for years.

Participants are placed as interns with private sector organizations, who provide them with some skill training as well as experience in the world of work. More importantly, the participant comes away with crucial job references and real hope for the future.

Of the 50 AFDC recipients who participated in the pilot project, 80 percent are now employed at an average wage of $5.55 per hour. Utah businesses, including Mountain Bell Telephone and Blue Cross/Blue Shield, have been enthusiastic partners in this training project.

There is, of course, much we can learn from the experiences of these various State programs.

I also mentioned that I welcome the Reverend Leon Sullivan and Mr. Raul Yzaguirre. These gentlemen have been leading advocates for those individuals we are trying to assist with this legislation.

I agree with Senator Kennedy that the "Jobs for Employable Dependent Individuals" bill has great potential for extending service to those long-term welfare recipients who are the hardest to serve, and I look forward to working with him on this legislation.

By continuing the bipartisan spirit of cooperation that has been a tradition of employment and training legislation, we can achieve a significant victory for this special population of welfare recipients. So I hope that we can work together and accomplish the goals that will be best for America and the people.

I want to thank you, Mr. Chairman, for holding these hearings, and we look forward to listening to the witnesses.

The CHAIRMAN. Thank you very much, Senator Hatch. We will be interested in finding out more about the Utah experience.

Senator Pell?

OPENING STATEMENT OF SENATOR PELL

Senator PELL. Mr. Chairman, this Committee meets today for its second hearing on one of the most important issues facing the Congress this session. The issue has been given several names—welfare reform, workfare, work and welfare, job training—but now we have the best name of all, JEDI. Whatever the terms used, however, the ultimate goal remains the same—enabling our most economically disadvantaged citizens to break free from the grip of poverty and dependence and to lead independent, productive, and challenging lives. I commend you, Mr. Chairman, for leading this committee on the road to a solution to this most difficult and complex problem, and for your hard work on a truly fine piece of legislation—the JEDI bill. I know that under your able leadership this committee will hear from the leaders in the welfare and job training fields and will further improve what is already a creative and workable legislative response.

We cannot limit ourselves only to a legislative solution to the problems of our social welfare system when it produces immediate results. We know from experience that welfare and job training reforms do not produce instant tangible results. We know from experience that the road to real results is a long and hard one. It is a pleasure, however, to know that this Committee has begun the journey.

I look forward today to hearing from our panels of experts. In particular, it gives me great pleasure to see Governor Dukakis from my sister state of Massachusetts is here to testify regarding the Massachusetts experience. That state's experiment is ample testimony that job training programs can work. Massachusetts is not there yet, of course, but its innovation and creativity should serve as an example to us all. Thank you for an opportunity to speak briefly, Mr. Chairman, and I look forward to hearing from our panel members.

The CHAIRMAN. Thank you, Senator Pell.

Senator Mikulski?

Senator MIKULSKI. Thank you, Senator Kennedy, and I want to congratulate you on holding these hearings.

We look forward to the testimony, and as someone with graduate training in social work, and perhaps the only member of Congress who was actually a public assistance worker, I am extremely familiar with the public welfare issues and look forward to joining in the debate and hearing these innovative ideas.

We are at an important juncture now in welfare reform where very little has been done since either the creation of public assistance, or certainly, since the Kerner Commission in the 1960s challenged us about the fact that no one likes public welfare—either the beneficiaries who have to endure it, the administrators who have to operate it, or the taxpayer who has to pay for it. So hopefully through these hearings and subsequent ones, we can reform the system in the best interest of both the beneficiary and the taxpayer and in our national interest. We look forward to hearing the debate.

The CHAIRMAN. Very good.

Our distinguished Governors will appear momentarily, but we will ask our panelists if they would be good enough to come up.

Senator Metzenbaum?

Senator HATCH. Mr. Chairman, could I also put a statement by Senator Thurmond in the record at this point?

The CHAIRMAN. Yes. It will be included in the record at this point.

Senator HATCH. Thank you.

[The prepared statement of Senator Thurmond follows:]

STATEMENT BY SENATOR STROM THURMOND (R-S.C.) BEFORE THE SENATE LABOR AND HUMAN RESOURCES COMMITTEE REFERENCE HEARINGS ON WORK AND WELFARE. TUESDAY, FEBRUARY 3, 1987, 10:00, SD-430.

Mr. Chariman, I wish to commend you on conducting this second hearing on work and welfare issues. I look forward to working with you and other members of the Committee throughout the 100th Congress as we seek to address many of the issues raised here today.

On Friday, October 17, 1986 our former colleague Russell Long delivered his last speech in the Senate on welfare reform. In that speech he asked what the goal of welfare reform should be. Senator Long defined this goal by quoting the testimony presented to the Senate Finance Committee in 1971 by the Governor of California, Ronald Reagan.

President Reagan said this: "We should measure welfare's success by how many people leave welfare, not by how many more are added."

President Reagan is correct. Welfare reform should seek to reduce the welfare rolls. This is not because of any theory that welfare recipients are loafers or cheats. Rather, I believe it is because the overwhelming majority of these recipients want and need an opportunity to work. As Senator Long stated, "Government has no right to relegate productive members of society to lifelong dependency."

I believe the opportunities to work have improved under the leadership of President Reagan. Just recently we received news that in December the Nation'scivilian unemployment rate fell from 6.9% to 6.7%. The economy generated about 200,000 new jobs in

December. Moreover,for 1986 employment rose by 2.2 million. These are encouraging statistics.

Nevertheless, such reports are little comfort for those who have been unable to leave the welfare rolls, and there is always room for improvement.

In the past, solutions to this problem have taken the form of massive, federally-mandated programs, which did not allow enough local input and control.

however, in 1982, a new direction was taken when Congress passed the Job Training Partnership Act (JTPA). According to the National Alliance of Business, the local partnership structure that underlies JTPA provides more design and spending discretion to localities than almost any other piece of legislation.

I believe the success of this program is largely due to the flexibility it allows on the local level. People on the local level want to work out these problems themselves. We have seen these desires manifested in more local referendums and more grassroots organizations, with less expectations about "top-down" federal mandates.

As we look at proposals to reduce the welfare rolls by amending the JPIA, we should not lose sight of the reason why JTPA has been a success: local flexibility.

While my schedule may not permit me to stay for the entire hearing, I look forward to reviewing the testimony presented here today.

The **CHAIRMAN**. Senator Metzenbaum?

Senator **METZENBAUM**. Mr. Chairman, I just want to commend you for moving rapidly on this issue. I cannot think of anything of greater concern. I think the fact that it is on a bipartisan basis is extremely helpful, and you have my commitment that I will do everything possible to facilitate the movement of this bill in this Committee.

I think the issue of welfare reform is unquestionably one of the most challenging facing the entire Congress, and I think it is an indication we are going to do something about it.

But more important, maybe, than the issue of welfare reform just as an item out there is the fact that it means that we are talking about putting people to work. And if this Committee and this Congress can do something about taking people off welfare rolls and putting them to work, we will have performed yeoman's service, and if we did nothing else in the entire Congress, we would have served a very useful purpose. I am hopeful that we will move this legislation with dispatch, because I think it will be a major step forward in that direction.

Thank you, Mr. Chairman.

The **CHAIRMAN**. Thank you.

Senator Pell?

Senator **PELL**. Nothing further, Mr. Chairman.

The **CHAIRMAN**. We will start with our first panel, a very important one. I would ask if Mr. John Jacob, President and Chief Executive Officer, National Urban League, Reverend Leon Sullivan, founder and Chairman of the Board of OIC, and Raul Yzaguirre, President of the National Council of La Raza, would be good enough to join us at the witness table.

Mr. Jacob, we will ask you if you would be good enough to start off.

STATEMENT OF JOHN E. JACOB, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL URBAN LEAGUE, WASHINGTON, DC; REV. LEON H. SULLIVAN, FOUNDER AND CHAIRMAN OF THE BOARD, OPPORTUNITIES INDUSTRIALIZATION CENTERS OF AMERICA, INC., PHILADELPHIA, PA, AND RAUL YZAGUIRRE, PRESIDENT, NATIONAL COUNCIL OF LA RAZA, WASHINGTON, DC

Mr. **JACOB**. Thank you, Senator.

Mr. Chairman and members of the Committee, I am John E. Jacob, President and Chief Executive Officer of the National Urban League.

Mr. Chairman, for the sake of brevity, I will present highlights of our testimony and submit the following comprehensive statement for the hearing record which addresses an issue which is of critical concern to the nation and to the National Urban League, namely, the association between poverty, employment and training, and the resurgent call for reform of this Nation's social welfare system.

With the recession level unemployment rate of 7 percent for all Americans and a depression level rate of 15 percent for black adult Americans, there is little time to waste in harnessing this country's array of resources to ensure that all Americans who are able and wanting to work have jobs that provide a living wage.

As a nation, we must never be hesitant nor timid in utilizing our Federal resources to improve the life conditions of over 33 million people who in 1985 lived below the Federal poverty level. An effective and efficient use of all our resources can best be achieved through a creative, comprehensive approach to service delivery, especially in the area of employment training and job placement.

We know that through a combination of Federal resources, guidelines and State initiatives, we can devise effective, efficient and humane programs that serve to bring poor families and individuals out of poverty and into the job market.

Your native State of Massachusetts, Mr. Chairman, serves as a prime example of this kind of process.

Therefore, with intolerable levels of poverty and unemployment, we must not be hesitant to utilize a continuum of service delivery systems and recognize the specialties and expertise that exist in meeting the multiplicity of needs experienced by families and individuals, particularly those who must face multiple barriers to economic independence.

We at the National Urban League, along with our sister organization, the OIC, and countless other community-based organizations, are service providers along this continuum of delivering services to people who have need. And we possess longstanding experience and expertise in reaching out and addressing the needs of particularly the severely economically disadvantaged.

Because we are community-based, our organizations are in strategic positions to bring these targeted populations into our system with a unique understanding of the dimension of their social and economic needs. Drawing from the recommendations outlined in detail in our written testimony, the National Urban League is pleased that you are drafting and plan to introduce the Jobs for Employable Dependent Individuals Act, or JEDI, in the near future.

This proposed legislation incorporates the basic principles embodied in the Opportunities for Employment Preparation Act of 1987 that was reintroduced this year by Senator Specter and Senator Dodd and was developed with the input and assistance of the National Urban League and OIC.

The Urban League is supportive of the proposed JEDI legislation because it incorporates the following special features: targets the long-term AFDC recipient for specialized outreach, training and employment placement services; provides a fiscal incentive to States through the provision of financial bonuses for the successful training and placement of the long-term AFDC recipient; recognizes the important role that community-based organizations play as feeder systems in outreaching and servicing this target population, and provides for the targeting of existing and unused Federal funds for such individuals and other purposes.

The National Urban League looks forward to working with Congress in a bipartisan effort to provide legislation to the severely economically disadvantaged population of the nation.

Existing poverty and unemployment rates for the nation and particularly for black Americans stand at intolerable levels. This nation at the Federal, State and local, private and community levels, possesses the knowledge and the resources to eliminate daily tragedies experienced by millions of Americans who suffer from poverty and unemployment.

The National Urban League calls for the national leadership, commitment and bipartisan political will to rectify a social and economic situation that could be nonexistent in this wealthy nation. Let us begin immediately and pass a legislative package that targets those most in need.

I thank you, Mr. Chairman.

[The prepared statement of the National Urban League, Inc., follows:]

TESTIMONY OF

THE NATIONAL URBAN LEAGUE, INC.

BEFORE THE
SENATE LABOR AND HUMAN RESOURCES COMMITTEE

ON
EMPLOYMENT AND TRAINING

Room 430
DIRKSEN SENATE OFFICE BUILDING

February 3, 1937

Mr. Chairman and members of this committee, I am pleased to present testimony on an issue that is of critical concern to the nation and the National Urban League (NUL): namely, the association between poverty, employment and training, and the resurgent call for reform of this nation's social welfare system.

The National Urban League was founded in 1910 as a non-profit community service organization committed to securing full and equal opportunity for minorities and the poor. Through its affiliate network, the Urban League is represented in 34 states and 113 cities (including the District of Columbia). Over one million persons are served every year by the Urban League Movement through its comprehensive array of projects, programs, and initiatives that address such needs as employment training, adolescent pregnancy, health, housing, education and community crime prevention.

HISTORICAL BACKGROUND

The National Urban League has an extensive history of involvement in the area of social welfare. Through our ongoing work within communities, we have obtained first hand experience at identifying and meeting the social service needs of primarily poor individuals and families, particularly in areas related to employment training and placement. In 1965, the Urban League, along with the Child Study Association and the Family Service Association of America, conducted a nationwide demonstration program called "Project Enable" which utilized parent education and discussion groups as well as community organization strategies to improve conditions for poor families. Many of these families were participants in the Aid to Families with Dependent Children (AFDC) program. "Project Enable" resulted in the development of new manpower resoures, experience, and skills for better delivery of services to poor families and positive attitudinal and behavioral changes on the part of community institutions as well as participants. Knowledge was also gained about the interactional dynamics that operate between institutions and persons in poverty.

From 1972-1975, the Urban League conducted a research demonstration program entitled "Work Evaluation-Work Adjustment", which examined whether conventional rehabilitation techniques could be used to mitigate social barriers to employment for socially disadvantaged persons. The program assisted primarily

MOTHERS IN DEVELOPING AND MAINTAINING APPROPRIATE EMPLOYMENT BEHAVIOR, AND ASSISTED EMPLOYERS IN CHANGING THEIR ATTITUDE TOWARDS THIS POPULATION.

SINCE 1975, WHEN THE NATIONAL URBAN LEAGUE PUBLISHED ITS VIEWS ON REFORMING THE SOCIAL WELFARE SYSTEM IN A PAPER (INCOME MAINTENANCE, THE NATIONAL URBAN LEAGUE POSITION, JULY 1975), THE LEAGUE HAS PERSISTENTLY ADVOCATED FOR A PUBLIC ASSISTANCE SYSTEM THAT IS ADEQUATE, EQUITABLE AND UNIVERSAL. HOWEVER, UNTIL SUCH A SYSTEM IS IN PLACE, INCOME MAINTENANCE AND OTHER SOCIAL WELFARE PROGRAMS MUST BE MADE AS EFFECTIVE AS POSSIBLE FOR THE POPULATIONS THEY DO SERVE. IN 1982, SIXTEEN URBAN LEAGUE AFFILIATES, IN CONJUNCTION WITH OTHER GEOGRAPHICALLY CLOSE AFFILIATES, CONDUCTED PUBLIC HEARINGS THAT ASSESSED THE IMPACT OF AFDC PROGRAM CUTS IMPLEMENTED THROUGH THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 (OBRA). MORE THAN 300 WITNESSES REPRESENTING A CROSS-SECTION OF AFDC RECIPIENTS, HUMAN SERVICE PROVIDERS, GRASS-ROOTS ORGANIZATIONS, AND COMMUNITY GROUPS PRESENTED SOBERING TESTIMONY TO THE TREMENDOUS HARDSHIP IMPOSED UPON INNOCENT PEOPLE BY A MISGUIDED POLICY TO LEVY CUTS IN AFDC. SIMPLY CUTTING PROGRAM BUDGETS IS NOT THE SOLUTION. THESE HEARINGS HIGHLIGHTED THE PROBLEMS ENCOUNTERED BY AFDC RECIPIENTS WHO SOUGHT ECONOMIC INDEPENDENCE THROUGH EMPLOYMENT, ESPECIALLY IN THE AREAS OF SECURING HEALTH AND CHILD CARE.

THE NATIONAL URBAN LEAGUE CONTINUES TO BE DYNAMICALLY INVOLVED IN THE FORMULATION OF POLICIES AND PROGRAMS THAT IMPACT THE NEEDS OF THIS COUNTRY AS A WHOLE, AND ESPECIALLY UPON OUR

CONSTITUENCY WHO CONTINUE TO BE AMONG THE DISPROPORTIONATELY UNEMPLOYED AND POOR.

POVERTY AND UNEMPLOYMENT: A NATIONAL OVERVIEW

A MATTER OF INCOME

IN A RECENT ARTICLE FOR THE STATE OF BLACK AMERICA 1987 REPORT, THE NOTED EDUCATOR AND SCHOLAR, DR. ANDREW BILLINGSLEY, CAPTURED THE VERY ESSENCE OF THE WELFARE REFORM ISSUE AND ITS RELATIONSHIP TO POVERTY AND UNEMPLOYMENT ISSUES WHEN HE WROTE THAT:

> NO SINGLE, COMPLEX PUBLIC ACTION WOULD DO MORE TO STRENGTHEN FAMILIES THAN A NATIONAL COMMITMENT TO A FULL-TIME, ADEQUATELY PAID, CAREER-ORIENTED JOB FOR EVERY ABLE-BODIED MAN, WOMAN, AND YOUTH. A MEANINGFUL JOB NOT ONLY PROVIDES THE MEANS OF MEETING THE INSTRUMENTAL NEEDS OF THE FAMILY BUT ALSO A MEANS OF INSTILLING PRIDE, SELF-RELIANCE, AND A SENSE OF IMPORTANCE AS WELL.[1]

SINCE ITS FOUNDING, THE NATIONAL URBAN LEAGUE HAS HISTORICALLY BEEN CONCERNED WITH CARING FOR THE TOTAL FAMILY, AND HAS LONG RECOGNIZED THE IMPORTANT CONNECTION BETWEEN EQUAL ACCESS TO INCOME THROUGH EMPLOYMENT FOR ALL WHO ARE ABLE AND WANT TO WORK AS THE PRIMARY MEANS FOR PURCHASING THOSE BASIC NECESSITIES SUCH AS FOOD, HOUSING, HEALTH CARE, AND EDUCATION, THEREBY ENHANCING INDIVIDUAL AND FAMILY SOCIAL WELFARE.

CONTRARY TO THE SPIRIT OF THE 1960S WHEN "...POVERTY, ESPECIALLY BLACK POVERTY, WAS NOT JUST A PUBLIC ISSUE BUT A NATIONAL POLICY PRIORITY."[2] THE DECADE OF THE 1980S IS CHARACTERIZED BY POLICIES BASED ON DISTORTIONS AND DISINFORMATION ON THE CAUSES AND THE REALITIES OF INDIVIDUALS AND FAMILIES WHO

LIVE WITHOUT SUFFICIENT INCOME TO KEEP THEM OUT OF POVERTY. YET, FOR THE MILLIONS OF AMERICANS WHO SUFFER DAILY FROM THE DEPRIVATION AND INTENSE STRESS OF UNEMPLOYMENT AND POVERTY, THERE IS NO DOUBT AND NO DISTORTION ABOUT ITS REALITIES: WITHOUT THE NECESSARY *INCOME* WITH WHICH TO PURCHASE BASIC NECCESSITIES, INDIVIDUALS AND FAMILIES MUST SIMPLY GO WITHOUT ADEQUATE FOOD, SHELTER, HEALTH CARE AND EDUCATION. SURVIVAL BECOMES A DAILY AND HOURLY TASK. THE *DEVELOPMENTAL* IMPACT ON CHILDREN WHO COMPRISE THE LARGEST SINGLE GROUP LIVING IN POVERTY IN THIS COUNTRY TODAY,[3/] IS A NATIONAL DISGRACE. FOR MILLIONS OF INDIVIDUALS AND FAMILIES, UNEMPLOYMENT AND POVERTY MEAN BEING UPROOTED AND LOCKED OUT FROM FULL PARTICIPATION IN AMERICA'S ECONOMIC MAINSTREAM.

INTERPRETING THE NUMBERS

IN A NATION SUCH AS OURS, WITH ITS RESOURCES AND TECHNOLOGICAL ADVANCEMENT, IT IS TOTALLY UNACCEPTABLE THAT OUR NATIONAL LEADERSHIP TOLERATES A NATIONAL POVERTY RATE OF 14 PERCENT AND IDENTIFIES ECONOMIC RECOVERY WITH A NATIONAL UNEMPLOYMENT RATE OF 7 PERCENT. "WHAT USED TO BE LABELED 'RECESSION-LEVEL' UNEMPLOYMENT IS NOW DESCRIBED AS 'FULL EMPLOYMENT'."[4/] A NATIONAL POVERTY RATE OF 14 PERCENT IN 1985 TRANSLATED INTO OVER 33 MILLION PEOPLE WHO LIVED BELOW THE FEDERAL POVERTY LEVEL (A RISE OF 4 MILLION SINCE 1980) WITH MORE THAN ONE OF EVERY FIVE AMERICAN CHILDREN BEING POOR.[5/] THE 7 PERCENT UNEMPLOYMENT RATE IS A CONSERVATIVE FIGURE. IN ADDITION TO 8.3 MILLION WHO ARE OFFICIALLY UNEMPLOYED, 1.2 MILLION ARE DISCOURAGED WORKERS WHO WANT TO WORK BUT CANNOT FIND JOBS AND

HAVE GIVEN UP THE SEARCH, AND APPROXIMATELY 5.5 MILLION WHO ARE PART-TIME WORKERS BECAUSE THEY CANNOT FIND FULL-TIME EMPLOYMENT.[6] (IN ITS QUARTERLY REPORT ON THE SOCIAL AND ECONOMIC CONDITION OF BLACK AMERICANS, THE NATIONAL URBAN LEAGUE HAS LONG INCLUDED DISCOURAGED AND PART-TIME WORKERS TO OBTAIN A MORE REALISTIC PICTURE OF THE UNEMPLOYMENT PROBLEM.

CONTRARY TO PUBLIC PERCEPTION THAT THE "FEMINIZATION OF POVERTY" ARGUMENT IS THE KEY EXPLANATION FOR INCREASED POVERTY, "...CHANGES IN FAMILY COMPOSITION HAVE NOT BEEN THE PRIMARY CAUSE OF THE INCREASE IN POVERTY SINCE THE LATE 1970S."[7] AMONG THE CONCLUSIONS FROM A RECENT STAFF STUDY PREPARED FOR THE JOINT ECONOMIC COMMITTEE OF THE U.S. CONGRESS, IT FOUND THAT:[8]

- THE POST-1979 INCREASE IN POVERTY HAS BEEN LARGELY THE RESULT OF WEAK ECONOMIC PERFORMANCE--ESPECIALLY HIGH LEVELS OF LONG-TERM UNEMPLOYMENT AND FALLING WAGES--AND CHANGES IN SOCIAL WELFARE POLICY;
- THE GREATEST INCREASE IN POVERTY DURING THIS PERIOD WERE FOR PERSONS LIVING IN MARRIED-COUPLE FAMILIES. THERE ARE 3.13 MILLION ADDITIONAL PERSONS LIVING IN MARRIED-COUPLE FAMILIES IN POVERTY AND 2.19 MILLION ADDITIONAL PERSONS LIVING IN SINGLE-PARENT, FEMALE-HEADED FAMILIES IN POVERTY SINCE 1979;
- PERSONS IN MARRIED-COUPLE HOUSEHOLDS ACCOUNT FOR 44.9 PERCENT OF THE INCREASE IN POVERTY SINCE 1979 (WHILE) PERSONS IN SINGLE-PARENT, FEMALE-HEADED FAMILIES ACCOUNT FOR 31.5 PERCENT OF NEW POVERTY OVER THE SAME PERIOD.

HIGHLIGHTING THESE CONCLUSIONS IS NOT MEANT TO DETER THE CONCERN THAT MUST EXIST, AND THE ACTIONS THAT MUST BE TAKEN, TO ADDRESS THE HIGH LEVELS OF POVERTY AMONG SINGLE FEMALE-HEADED HOUSEHOLDS (OVER ONE-THIRD OR 34 PERCENT OF ALL PERSONS LIVING IN FEMALE-HEADED FAMILIES ARE POOR, COMPARED TO 9.3 PERCENT OF PERSONS IN other families[9]). Rather, these data serve to restore proper dimension and avoid distortions about the causes of poverty in order to formulate more enlightened policy decisions about what courses of action are necessary to reduce poverty in this country.

The Cost of Unemployment

The implications of high rates of unemployment become more meaningful when we examine their human and social costs. For example:

- Each 1 percent rise in unemployment produces a 5.7 percent increase in homicides, a 4.1 percent increase in suicides, a 4.0 percent increase in prison admissions, and a 1.9 percent increase in the overall mortality rate.[10]

The economic costs are also unsettling:

- For every one percent of unemployment, America loses at least $100 billion in unproduced goods and services, and the Federal Treasury loses $30 billion in lost tax revenues and extra welfare and unemployment compensation costs.[11]

The American "Job Machine" and the Working Poor

Although our national leadership boasts of creating some three million jobs over the course of the year, it failed to note the growth in part-time positions and the destruction of high-paying manufacturing jobs and their replacement by low-paying retail and service industry jobs.[12] According to the findings of a recent study prepared for the Joint Economic Committee of Congress, of the 8 million new jobs created between 1979 and 1984, 58 percent paid annual wages of less than $7,000.

SUPPORTING THE CONCLUSION THAT "...THE NET ADDITIONS TO EMPLOYMENT BEING GENERATED IN THE U.S. SINCE THE LATE 1970S HAVE BEEN DISPROPORTIONATELY AND INCREASINGLY CONCENTRATED AT THE LOW-WAGE END OF THE SPECTRUM."[13/] GIVEN THESE NEGATIVE CHANGES IN THE JOB MARKET, IS NO SMALLL WONDER THAT IN THE CURRENT ECONOMY, EVEN IF ONE WORKS, THERE IS NO GUARANTEE OF ESCAPE FROM POVERTY. RECENT CONGRESSIONAL TESTIMONY BY THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO) DOCUMENTS THE INCREASING EROSION OF WAGES AND THE EFFECT OF PART-TIME WORK:

- IN 1984, THERE WERE MORE THAN 9 MILLION PEOPLE LIVING BELOW THE OFFICIAL POVERTY LEVEL WHO WORKED FOR AT LEAST PART OF THE YEAR, AND NEARLY ONE-THIRD OF THEM WERE WORKING FULL-TIME YEAR ROUND... FURTHERMORE, ABOUT ONE OUT OF EVERY SIX FAMILIES IN POVERTY HAD TWO WORKERS IN THE LABOR FORCE. EVEN THE MINIMUM-WAGE WORKER LUCKY ENOUGH TO GET A FULL-TIME, YEAR-ROUND JOB EARNS LESS THAN $7,000 A YEAR--36 PERCENT BELOW THE CURRENT POVERTY LINE OF $11,000 A YEAR.[14/]

IN SUM, A NATIONAL OVERVIEW OF U.S. POVERTY AND UNEMPLOYMENT REVEALS "SIX YEARS OF SUPPLY-SIDE ECONOMICS (THAT) HAVE...PROVEN DISASTROUS. NOT ONLY HAS SUPPLY-SIDE POLICY WORSENED THE CONDITION OF THE POOR, IT HAS FOSTERED SEGMENTATION OF AMERICA INTO TWO SOCIETIES - ONE RICH AND PROSPERING AND THE OTHER BECOMING POORER...".[15/] THIS POLARIZATION IS EVIDENCED BY THE FACT THAT BETWEEN 1979 AND 1985, INCOME LOSSES WIDENED WHERE THE BOTTOM 60 PERCENT OF FAMILIES SAW DECLINING SHARES OF INCOME WITH BY FAR THE LARGEST GAINS GOING TO THE RICHEST 20 PERCENT.[16/]

POVERTY AND UNEMPLOYMENT: IMPACT UPON BLACK AMERICANS

WHILE NATIONAL UNEMPLOYMENT AND POVERTY RATES ARE unacceptably high for the country as a whole. The disproportionate impact on Black Americans is devastating. Black Americans remain disproportionately poor and disproportionately unemployed. In 1985, more than 31 percent of Black Americans were poor, where Blacks were still almost three times more likely than whites to be below the poverty level.[17] About one-half of Black children were poor in 1985.[18] For Black workers, unemployment remained at Depression-level rates of 15 percent (NUL's Hidden Unemployment Index places the 1985 rate for Black workers at 26.6 percent), with rates for inner-city teenagers above the 50 percent mark.[19]

Black American poverty continues to be clouded by the effects of racial discrimination. Distortions in the media and by self-appointed "experts" on the complex issues that surround Black poverty have failed to comprehend and portray the realities of Black poverty as it is impacted by racial factors. According to the State of Black America 1987 report, the feminization of poverty concept obscures the continued importance of race in general as a causal factor in the determination of poverty:

- At every level of education and across all family structures, the proportion of Black Americans in poverty exceeds the proportion of white Americans in poverty. The poverty rate among Black families headed by both a male and female exceeds the rate of poverty among white female-headed families. The poverty rate among Blacks with one or more years of college exceeds the poverty rate of whites with 8 years of education. The poverty rate of Blacks who worked full-time is 3 times higher than that of whites who worked full-time. The poverty rate of Black households with only two persons is nearly equal to that of whites with 7 or more persons.[20]

ADDITIONALLY, OVER-EMPHASIS ON THE NOTION OF FEMINIZED POVERTY "DICHOTOMIZES THE STATUS OF BLACK MALES AND FEMALES IN POVERTY AND FEEDS PRACTICES THAT SEPARATE THEIR PLIGHT."[21/] A CENTRAL WEAKNESS OF THIS CONCEPT "MAY BE THAT IT DIVERTS ATTENTION FROM THE STAGGERING DISLOCATION AND DISCONNECTION OF BLACK MALES FROM THE LABOR MARKET, INCOME, AND CONCOMITANTLY, FROM THE FAMILY."[22/] AND DOES GROSS INJUSTICE TO THE HISTORICAL ROLE PLAYED BY BLACK WOMEN IN PROVIDING ESSENTIAL INCOME FOR BLACK FAMILIES WHEN BLACK MALES WERE UNEMPLOYED OR UNDEREMPLOYED.[23/]

COMPLACENCY ABOUT BLACK UNEMPLOYMENT STEMS FROM "A GROWING TENDENCY TO BELIEVE THAT THE PROBLEM MAY BE INTRACTABLE," CENTERED IN A PERCEIVED EXPANSION OF THE 'UNDERCLASS' SEGMENT OF BLACK AMERICA WHOSE MEMBERS ARE (VIEWED AS) NEITHER RECEPTIVE TO NOR APT TO BENEFIT FROM EFFORTS TO PROMOTE SELF-SUFFICIENCY."[24/] RECENTLY, THE RESEARCH DEPARTMENT OF THE NATINAL URBAN LEAGUE EXAMINED THE NATURE OF BLACK UNEMPLOYMENT AND DISPELLED PREVAILING NOTIONS THAT THE BLACK UNEMPLOYED ARE A LARGELY HOMOGENEOUS POPULATION BEYOND HELP. A SUMMARY OF THE MAJOR FINDINGS FROM THEIR REPORT SHOW THAT:

- MORE THAN HALF OF ALL UNEMPLOYED BLACK AMERICANS 1984 (52%) LOST THEIR JOB, INCLUDING 44 PERCENT WHO WERE PERMANENTLY TERMINATED. A MERE 1 PERCENT LEFT THEIR JOB VOLUNTARILY. THE REMAINDER OF THE BLACK UNEMPLOYED WERE EITHER REENTRANTS INTO THE LABOR FORCE (28%) OR FIRST-TIME JOB SEEKERS (18%).

- BLACK MALES WERE SLIGHTLY MORE LIKELY THAN FEMALES TO BE HIT BY UNEMPLOYMENT. IN 1984, 52 PERCENT OF THE BLACK UNEMPLOYED WERE MALES, OR ABOUT THE SAME AS THE PROPORTION OF MALES IN THE BLACK CIVILIAN LABOR FORCE.

- BLUE COLLAR WORKERS WERE SUBSTANTIALLY OVER-REPRESENTED AMONG THE BLACK UNEMPLOYED, WHILE

White collar workers are underrepresented. In 1984, about 42 percent of jobless Blacks were blue collar, compared to 34 percent of the Black civilian labor force. By contrast, 26 percent of the Black unemployed were white collar, while 38 percent of the civilian labor force were in the white collar category.

- The incidence of unemployment among Blacks declines with increased education. Although college graduates constituted 12 percent of the Black civilian labor force in 1984, they accounted for only 4 percent of the Black unemployed. Conversely, Black high school dropouts were 18 percent of the labor force but 29 percent of the unemployed.

- In terms of racial comparisons, the gap between Black and White unemployment rates is greater at the higher education levels. Thus, the jobless rate of Black college graduates in 1984 was 2.5 times that of their white counterparts, while the rate of Black high school dropouts was only 1.8 times the rate of white dropouts. These findings evidence the continued impact of racial discrimination in the labor market.

- Further evidence of continued employment discrimination against Blacks is suggested by comparisons of Black and white jobless rates within different occupational categories. In particular, the unemployment rate of Black blue collar workers in 1984 was 1.8 times that of their white counterparts, while Black white collar workers were unemployed at 2.6 times the rate of their white counterparts.25/

It is therefore imperative that the formulation of policies designed to address issues of Black poverty and Black unemployment be based on accurate knowledge of both problems, lest we continue seeking solutions misguided by distortions of fact and outright disinformation about Black family life in America.

REMEDIAL STRATEGIES FOR REDUCING UNEMPLOYMENT AND POVERTY

IN THE LAST YEAR WE HAVE WITNESSED RENEWED INTEREST AND DEBATE ON WHAT COURSE OF ACTION WOULD BEST REDUCE POVERTY AND UNEMPLOYMENT AND SUPPORT THE MOVEMENT OF FAMILIES FROM PUBLIC ASSISTANCE TO INDEPENDENT LIVING. MUCH OF THE DISCUSSION AND PROPOSED REMEDIES HAVE BEEN WITHIN THE FRAMEWORK OF "WELFARE REFORM" WHICH IN REALITY IS FAMILY AND INDIVIDUAL INCOME REFORM. FOR THE PAST SEVEN YEARS. THE ADMINISTRATION'S NOTION OF WELFARE REFORM HAS SERVED AS A VEHICLE FOR CUTBACKS IN SOCIAL WELFARE PROGRAMS WITHOUT ANY CONSTRUCTIVE ATTEMPT AT TARGETING OR RETARGETING OUR FEDERAL RESOURCES TO THE PUBLIC. PRIVATE. AND VOLUNTARY SECTORS IN A MANNER THAT WOULD SERVE TO SECURE A PERMANENT ROOTING OF ALL FAMILIES INTO THE ECONOMIC INFRASTRUCTURE OF AMERICAN LIFE. POLICIES THAT WOULD PROMOTE MAXIMUM OPPORTUNITY FOR SECURING A JOB HAVE BEEN ALL BUT IGNORED.

THE NATIONAL URBAN LEAGUE PROPOSES THREE PRIORITY STRATEGIES THAT AIM TO REDUCE BOTH UNEMPLOYMENT AND POVERTY.

(1) FULL EMPLOYMENT WITH PARITY - THE NATIONAL URBAN LEAGUE CALLS FOR NATIONAL LEADERSHIP AND COMMITMENT TOWARDS THE DEVELOMENT OF AN EFFECTIVE. COMPREHENSIVE FULL EMPLOYMENT POLICY WHICH MUST ENCOMPASS A BROAD RANGE OF ACTIONS AND INITIATIVES. A FULL EMPLOYMENT POLICY MUST SEEK TO:

- DECREASE DEFICIT SPENDING. CONTINUE EFFORTS TOWARDS SOUND TAX POLICY. RESTORE AMERICA'S COMPETITIVENESS IN WORLD TRADE;
- CREATE JOBS BY REBUILDING THE NATION'S INFRASTRUCTURE OF BASIC PUBLIC FACILITIES AND SERVICES. AND BY RECONSTRUCTING OLD INDUSTRIES;
- PROMOTING TRAINING AND RETRAINING OF WORKERS

SO THEY WILL HAVE COMPETITIVE SKILLS FOR THE NEW LABOR MARKET;

- PROVIDE RESOURCES TO ENCOURAGE EDUCATIONAL INSTITUTIONS, BUSINESSES AND THE PRIVATE VOLUNTEER SECTOR TO UNDERTAKE TRAINING, SKILLS DEVELOPMENT AND APPRENTICESHIP PROGRAMS;
- HELP REBUILD THE BLACK BUSINESS COMMUNITY;
- DEVELOP A NEW FORMAT FOR SENSITIVE GOVERNMENT EXPENDITURES FOR INVESTMENT IN HUMAN AND CAPITAL RESOURCE BUILDING;
- REVERSE SOCIAL POLICIES WHICH CURTAIL FEDERAL SPENDING ON SOCIAL PROGRAMS AIMED AT CHANGING LIFE CONDITIONS FOR THE POOR;
- PROMOTE AFFIRMATIVE ACTION IN THE WORK PLACE AND WORK FORCE;
- ENFORCE ANTI-BIAS FEDERAL AND STATE LAWS TO RESOLVE HIRING AND WAGE DISCRIMINATION FOR LOW-INCOME DISADVANTAGED EMPLOYEES;
- INCREASE THE RETURN-TO-WORK PACE FOR BLACKS FOLLOWING RECESSIONAL PERIODS THROUGH SPECIAL RECALLS; AND
- RECTIFY INSTITUTIONAL PRACTICES TO FOSTER A MORE EQUITABLE DISTRIBUTION OF WORK.26/

(2) THE NATIONAL URBAN LEAGUE RECOMMENDS A SYSTEM OF SOCIAL WELFARE BENEFITS THAT IS ECONOMICALLY JUST AND PROMOTES THE STRENGTHENING OF ALL FAMILIES. SOCIAL WELFARE REFORM MUST THEREFORE ENSURE A COMPREHENSIVE, ADEQUATE, EQUITABLE, PUBLICLY ACCEPTABLE, UNIVERSAL AND DIGNIFIED SYSTEM OF BENEFITS. THE WELFARE SYSTEM SHOULD IDEALLY BE LINKED TO BOTH ADULT EMPLOYMENT AND YOUTH TRAINING OPPORTUNITIES WHICH PROVIDE A LIVING WAGE. REFORM OF THE WELFARE SYSTEM SHOULD PROVIDE AN INCOME FLOOR BELOW WHICH NO FAMILY SHOULD FALL.

(3) AN URGENT LEGISLATIVE STRATEGY MUST BE ENACTED THAT WOULD TARGET EXISTING AND UNUSED FEDERAL RESOURCES TO THE NEEDS OF THE

severely economically disadvantaged who comprise the long term unemployed and the long term recepients of Aid to Families with Dependent Children (AFDC), and specify the use of community based organizations as key feeder systems to access and serve this targeted group. These populations have been persistently neglected by our social welfare institutions. The National Urban League calls for swift passage, in this legislative session of Congress, of bills that aim to reduce barriers to employment for the long term unemployed and the long term AFDC recipient, and provide important fiscal incentives to states that successfully train and place this targeted population into long term employment. Such legisltion should recognize the special role and use of community service organizations to be utilized as feeder systems, that is as "connectors" within communities, based on their longstanding experience and expertise in dealing with severely economically disadvantaged families and individuals. Because they are community based, these organizations are in strategic positions to do outreach and bring in such special populations, in addition to understanding the dimensions of their social and economic needs.

Through our ongoing work within communities throughout the U.S., the Urban League has obtained expertise in identifying, outreaching, and serving primarily poor individuals and families, particularly in areas related to employment training and placement. (See Attachments for a sampling for NUL's employment programs and activities.) In addition, over the past two-and-a-half years, NUL has examined methods of facilitating the

TRANSITION OF LONG TERM AFDC PARTICIPANTS INTO THE LABOR MARKET. IT WAS CONCLUDED, BASED ON EXTENSIVE REVIEW OF THE RESEARCH PERTAINING TO AFDC DURATION.[27] THAT THE REDUCTION OR ELIMINATION OF BARRIERS TO EMPLOYMENT (SUCH AS LOWER LEVELS OF EDUCATION AND LESS EMPLOYMENT EXPERIENCE) CAN ALLEVIATE ECONOMIC STRESS FOR FAMILIES AND THEREBY STRENGTHEN THEM. THE NEED FOR CRITICAL SUPPORT SERVICES SUCH AS CHILD CARE, HEALTH CARE COVERAGE, AND TRANSPORTATION MUST ALSO BE MET FOR A SOLID TRANSITION INTO THE LABOR MARKET.

AN IMPORTANT FEATURE OF THIS LEGISLATIVE PACKAGE IS THE SPECIAL FOCUS ON A POPULATION THAT IS PARTICULARLY IGNORED AND OFTEN REJECTED BY OUR SOCIAL AND ECONOMIC SYSTEMS: NAMELY, THOSE INDIVIDUALS WHO EXPERIENCE OUT-RIGHT "DISLOCATION FROM THE LABOR FORCE AND DISCONNECTION FROM THE INSTITUTIONS THAT ACT AS FEEDERS TO LABOR FORCE PARTICIPATION."[28] THESE INCLUDE INDIVIDUALS WHO USUALLY ARE *INELIGIBLE* FOR BASIC INCOME AND SUPPLEMENTAL PROGRAMS SUCH AS AFDC, FOOD STAMPS, SUBSIDIZED HOUSING AND OTHER SIMILAR AVENUES FOR MEETING AT LEAST A PORTION OF LIVING NEEDS. THE EXACT NUMBER OF INDIVIDUALS WHO COMPRISE THIS POPULATION IS DIFFICULT TO QUANTIFY, PRECISELY *BECAUSE THEY ARE DISCONNECTED* FROM THOSE INSTITUTIONS WHO HAVE MECHANISMS TO COUNT THOSE PERSONS ELIGIBLE AND RECEIVING THEIR RESPECTIVE SERVICES. ALTHOUGH WE RECOGNIZE THAT FEDERAL RESOURCES TO MEET THEIR LIVING NEEDS WHILE IN EMPLOYMENT TRAINING HAVE BEEN RESTRICTED, WE TRUST THAT CREATIVE APPROACHES CAN BE DEVISED TO ADDRESS THIS

TRANSITIONAL LIVING EXPENSE PROBLEM. COMMUNITY BASED ORGANIZATIONS CANNOT AND WILL NOT REJECT THIS TOO OFTEN NEGLECTED POPULATION.

REDRESSING THE CREAMING ISSUE

STUDY FINDINGS AND SERVICE PROVIDERS WHO SEEK TO TRAIN AND PLACE INDIVIDUALS WITH MULTIPLE BARRIERS TO EMPLOYMENT DEMONSTRATE THAT CURRENT LEGISLATIVE LANGUAGE AND REGULATIONS IN THE FEDERAL JOB TRAINING PARTNERSHIP ACT OF 1982 (JTPA) PROVIDE INCENTIVES FOR EMPLOYMENT AND TRAINING PROGRAMS TO SERVE THOSE WHO ARE MOST JOB READY RATHER THAN THOSE MOST IN NEED.[29] THEREFORE, A LEGISLATIVE STRATEGY COMPRISING OF A PACKAGE OF BILLS MUST INCLUDE PARTICULAR FEATURES THAT ADDRESS THE FOLLOWING CRITICAL ISSUES IF THEY ARE TO BE EFFECTIVE IN MEETING THE SPECIALIZED NEEDS OF THE LONG TERM UNEMPLOYED AND THE LONG TERM AFDC RECIPIENT.

- OUTREACH: COMMUNITY BASED ORGANIZATIONS, BY THEIR VERY NATURE AND HISTORICAL EXPERIENCE, HAVE DEMONSTRATED THEIR CAPACITY TO IDENTIFY AND REACH THE MOST SEVERELY ECONOMICALLY DISADVANTAGED. RECOGNIZING THIS MOST IMPORTANT FACTOR, PROPOSED LEGISLATION SHOULD ESTABLISH A "FEEDER SYSTEM" WITHIN JTPA THAT UTILIZES COMMUNITY BASED SERVICE PROVIDERS. SUCH A FEEDER SYSTEM WOULD PROVIDE OUTREACH AND A SET OF SPECIALIZED SERVICES, SUCH AS PREEMPLOYMENT EDUCATION, TRAINING, AND VOCATIONAL EDUCATION TO THOSE INDIVIDUALS MOST IN NEED AND CURRENTLY NEGLECTED BY THE EXISTING JTPA SERVICE DELIVERY SYSTEM.

- PERFORMANCE STANDARDS: INSTEAD OF LINKING PERFORMANCE ACHIEVEMENTS BY THE SERVICE PROVIDERS SOLELY TO PLACEMENT, PROPOSED LEGISLATION SHOULD AMEND JTPA AND ADJUST THE STANDARDS TO INSURE THAT THEY PROVIDE A FISCAL INCENTIVE FOR PROVIDERS TO MEET THE NEEDS OF THE MOST DIFFICULT TO PLACE POPULATIONS. FOR EXAMPLE, PERFORMANCE STANDARDS FOR ADULTS SHOULD ALSO INCLUDE THE COMPLETION OF ELEMENTARY, SECONDARY AND POST SECONDARY EDUCATION, THE ATTAINMENT OF RECOGNIZED EMPLOYMENT SKILLS, AND ENROLLMENT IN OTHER TRAINING PROGRAMS AS ADDITIONAL STANDARDS TO JOB PLACEMENT.

- PLACEMENT: IN ADDITION TO RECOGNIZING THAT SEVERELY ECONOMICALLY DISADVANTAGED INDIVIDUALS NEED SPECIALIZED OUTREACH AND TRAINING, INCENTIVES MUST BE IN PLACE TO INSURE THAT THE END RESULT OF TRAINING IS PLACEMENT IN VIABLE EMPLOYMENT. THEREFORE, PROPOSED LEGISLATION SHOULD INCLUDE IN ITS PACKAGE AN AMENDMENT TO JTPA THAT WOULD ESTABLISH A FISCAL INCENTIVE TO SUCCESSFULLY PLACE THE LONG TERM UNEMPLOYED AND THE LONG TERM AFDC RECIPIENT INTO UNSUBSIDIZED EMPLOYMENT.

- TRANSITION SERVICES: DOCUMENTATION FROM NUL'S 1982 PUBLIC HEARINGS AND CONGRESSIONAL HEARINGS THAT HAVE BEEN HELD IN THE LAST YEAR HAS SHOWN THAT THE CRUCIAL SUPPORT SERVICES OF CHILD CARE AND HEALTH COVERAGE MUST BE PROVIDED TO FACILITATE THE TRANSITION OF AFDC RECIPIENTS INTO THE JOB MARKET. IN ADDITION, CERTAIN INCOME DISREGARDS MUST BE INCORPORATED INTO THIS TRANSITION PERIOD TO INSURE THAT FAMILIES DO NOT EXPERIENCE A LOSS OF NEEDED INCOME UNTIL THE WAGE EARNER IS PLACED IN VIABLE EMPLOYMENT. THEREFORE, TRANSITION SERVICES MUST BE INCLUDED IN A PACKAGE OF BILLS TO ADDRESS THESE ISSUES.

- COORDINATION: TO INSURE A MORE EFFECTIVE JOB TRAINING AND PLACEMENT SERVICE DELIVERY SYSTEM FOR THE SEVERELY ECONOMICALLY DISADVANTAGED, AGENCIES AND COMMUNITY SERVICE ORGANIZATIONS MUST COME TOGETHER THROUGH THE PLANNING PROCESS AND COORDINATE THEIR RESPECTIVE ACTIVITIES. JTPA SHOULD BE AMENDED TO INSURE THAT THIS COORDINATION OCCURS AND THAT STATE PLANS ALSO INCLUDE A DESCRIPTION OF THE MANNER IN WHICH THE STATE WILL COORDINATE THEIR VOCATIONAL EDUCATION, ADULT EDUCATION, PUBLIC ASSISTANCE, AND JOB TRAINING PROGRAMS AUTHORIZED BY FEDERAL LAW TO BETTER TARGET THIS POPULATION.

DRAWING FROM THESE RECOMMENDATIONS, THE NATIONAL URBAN LEAGUE IS PLEASED THAT SENATOR KENNEDY IS DRAFTING AND PLANS TO INTRODUCE THE JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS ACT

(JEDI). This proposed legislation incorporates the basic principles embodied in The Opportunities for Employment Preparation Act of 1987, that was re-introduced this year by Senator Specter and Senator Dodd and was developed with the input and assistance of the National Urban League and the Opportunities Industrialization Centers. The Urban League is supportive of the proposed JEDI legislation because it incorporates the following special features:

- targets the long term AFDC recipient for specialized outreach, training and employment placement services;
- provides a fiscal incentive to states through the provision of financial bonuses for the successful training and placement of the long term AFDC recipient;
- recognizes the important role that community based organizations play as feeder systems in outreaching and servicing this targeted population; and
- provides for the targeting of existing and unused federal funds for such individuals and for other purposes.

The National Urban League looks forward to working with Congress in a bipartisan effort to provide legislation to the severely economically disadvantaged population of our nation.

CONCLUSION

Existing poverty and unemployment rates for the nation and particularly for Black Americans stand at intolerable levels. This nation, at the federal, state, local, private and community levels possesses the knowledge and the resources to eliminate the daily tragedies experienced by millions of Americans who suffer from poverty and unemployment. The National Urban League calls

FOR NATIONAL LEADERSHIP, COMMITMENT AND BIPARTISAN POLITICAL WILL TO RECTIFY A SOCIAL AND ECONOMIC SITUATION THAT SHOULD BE NON-EXISTENT IN THIS WEALTHY NATION. LET US BEGIN IMMEDIATELLY AND PASS A LEGISLATIVE PACKAGE THAT TARGETS THOSE MOST IN NEED.

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27/ M.J. Bane and D.T. Ellwood. *The Dynamics of Dependence: The Routes to Self-Sufficiency* (Cambridge. Mass.: Harvard University. June 1983); J.A. O'Neil. D.A. Wolf. M.T. Hannan. *An Analysis of Time on Welfare* (Washington. D.C.: The Urban Institute. June 1984); D.T. Ellwood. *Targeting "Would-Be Long-Term Recipients of AFDC* (Princeton. NJ: Mathematic Policy Research. Inc.. January 1986).

28/ Glasgow. op. cit.. p. 137.

29/ *An Independent Sector Assessment of the Job Training Partnership Act Final Report: Program Year 1985* (New York. New York: Grinker Associates. Inc.. July 1986.

ATTACHMENT A

Public, Private and Volunteer Partnerships Can Work Effectively In Assisting Families and Individuals Achieve Economic Independence

Community based organizaitons such as the National Urban League possess the field experience and capability to provide pre-employment education, training, and job placement services to persons who must overcome certain barriers to stable employment. The following sampling of programs operated by the National Urban League serves to illustrate how we deliver these services:

- Community Based Organization Partnership Program
  Provides technical assistance to Urban League affiliates operating employment and training programs funded primarily under the Job Training Partnership Act (JTPA). AS OF DECEMBER 1986, CLOSE TO 75 League affiliates (approximately 67%) operate JTPA funded projects with an aggregate budget of CLOSE TO $25 million.

  In 1985, approximately 26,000 participants were served. Success stories coming out of the JTPA programs were many. One of them involved a young woman who turned to the Urban League of Fairfield County (Stamford, CT) for assistance in improving her job skills. She was enrolled in word processing and clerical skills training classes, completed the course, and was hired as a temporary data entry employee with an employment agency. Through her own self-motivation she taught herself to use a digital computer and because of her performance the firm hired her on a permanent basis as an assistant programmer and is financing her continuing education at a local technical college. More incredible was the fact that the young lady was pregnant at the time she was accomplishing these feats.

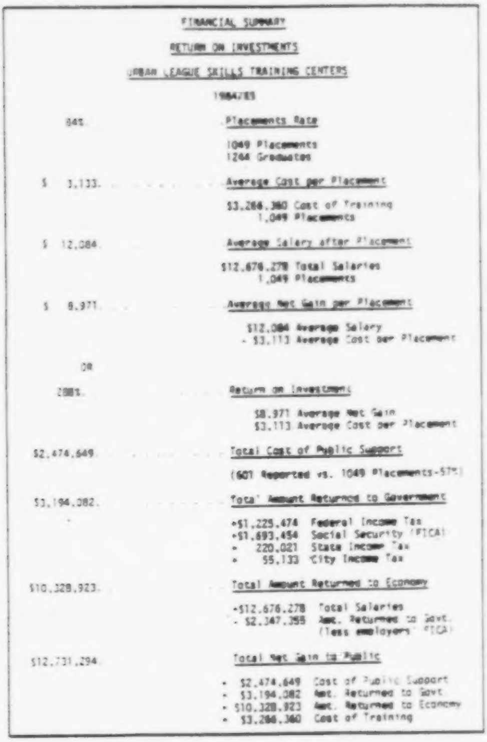
Skills Training Centers - As of July 1986, skills centers were operating in 32 Urban League affiliate cities, offering courses in programming, clerical/secretarial, computer operations and word processing at no cost to high school graduates. In addition to these core services, each center offers a variety of other training-related services: e.g., at our New Orleans center, basic academics, remediation and counseling are offered in addition to word processing.

The centers are operated in cooperation with IBM and other corporate and private support. A majority of the programs also participate in some JTPA ventures. Over its several years of existence, more than 5,000 students have completed the program with a remarkable placement rate of more than 80%. In the 1984/85 program year alone, 1,611 students were enrolled in the centers, 1,244 graduated and 1,049 were placed in jobs for an astounding 84% placement rate. All of the centers are located in urban areas of high unemployment and the students come from the ranks of the unemployed or the underemployed. IBM or another sponsoring group provides equipment, instructors and supplies. The local affiliate provides outreach to students, the administrative structure and supportive services. Each center has an advisory group comprised of local business representatives who assist in securing funds for administrative staff and job placement for graduates, as well as providing executives-on-loan to serve as classroom instructors. Chart A shows how a number of benefits flow to the community because of the centers.

- Comprehensive Competencies Program - Relatively new, this program is targeted to young people out-of-school and is designed to increase their employability. Initiated with a grant from the Ford Foundation, this program is aimed at helping an individual develop competency in academic and other areas where he or she is deficient. This program is composed of two components, academic and functional. The academic component consists of courses in reading, language skills, writing, math, social sciences, etc. from the elementary to the college preparatory level. Job preparation--resume writing, conducting job searches, handling job interviews, development of proper work habits--is the focus of the functional component. As of 1985, programs were operating in five League affiliates--Peoria, IL; San Diego, CA; Tacoma, WA; Washington, D.C.; and Rochester, N.Y.

CHART A

AN INVESTMENT IN FAMILY STABILITY



FINANCIAL SUMMARY

RETURN ON INVESTMENTS

URBAN LEAGUE SKILLS TRAINING CENTERS

1984/85

84%.	Placements Rate 1049 Placements 1244 Graduates
$ 3,133.	Average Cost per Placement $3,286,360 Cost of Training 1,049 Placements
$ 12,084.	Average Salary after Placement $12,676,278 Total Salaries 1,049 Placements
$ 8,971.	Average Net Gain per Placement $12,084 Average Salary - $3,113 Average Cost per Placement
OR	
288%.	Return on Investment $8,971 Average Net Gain $3,113 Average Cost per Placement
$2,474,649.	Total Cost of Public Support (601 Reported vs. 1049 Placements-57%)
$3,194,082.	Total Amount Returned to Government +$1,225,474 Federal Income Tax +$1,693,454 Social Security (FICA) + 220,021 State Income Tax + 55,133 City Income Tax
$10,328,923.	Total Amount Returned to Economy +$12,676,278 Total Salaries - $2,347,355 Amt. Returned to Govt. (less employers' FICA)
$12,731,294.	Total Net Gain to Public • $2,474,649 Cost of Public Support • $3,194,082 Amt. Returned to Govt. • $10,328,923 Amt. Returned to Economy • $3,286,360 Cost of Training

Chart Source: Honoring Yesterday, Challenging Tomorrow, - Annual Report 1985, **National Urban League, Inc., New York, New York.**

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WASHINGTON URBAN LEAGUE JOB TRAINING PROGRAM HAS 100% PLACEMENT RATE

WASHINGTON -- The Washington Urban League, which recently completed its twenty-first training cycle in word processing and data entry, announced a 100% success rate in placing the new graduates in permanent jobs.

A total of 60 persons were trained in data entry and word processing at the Information Processing Training Center (IPTC) this year. All 60 are employed by firms throughout the Washington metropolitan area.

The 1986 graduates join more than 500 others -- aged 17 to 65 -- who have gained new skills, jobs that offer growth, and increased earning power since the Center began operating eight years ago. More than 190 area businesses have hired IPTC graduates.

Effie Smith-Macklin, IPTC Director, said a majority of participants were receiving public assistance or unemployment compensation before enrolling at the Center, and many were women heads-of-household.

-more-

But upon graduation, these once-dependent trainees become economically self-sufficient citizens themselves able to contribute to society. A study done by International Business Machines, Inc. showed a net gain to the public of five dollars for every dollar expended for training.

The starting salaries of 1986 graduates range from $10,000 to $23,000, with most hovering around $14,000. For example, Michael Robinson, a word processor for the Federal Deposit Insurance Corporation, earns $14,560 annually; Katie Alston, a secretary for the National Council of Girl Scouts, earns $17,000; and Rubenea Dixon-Burton, an administrative assistant for the U.S. Veterans Administration, earns $22,622.

Smith-Macklin said, "We tell the participants that this is where one chapter ends and another new and exciting chapter begins. We take pride in the fact that we do make a difference in their lives."

In recent years, many job training programs have come under fire for their inability to produce well-trained graduates, and for their failure to equip trainees with skills which are in demand, even after what appears to be indiscriminate spending of private and public funding.

However, IPTC graduates learn skills relevant to today's high-tech market. According to employment forecasters, the ushering in of the Information Age, with its emphasis on computer usage, means that the best jobs will be reserved for the computer-literate.

-more-

In addition to acquiring technical skills, IPTC trainees have courses in office procedures, personal growth and development, and participate in mock interviews. These measures are designed to ease trainees' transition into the workforce and to ensure job retention.

Perhaps no one can better express the impact of the training offered at the Center than graduates themselves. Rubenea Dixon-Burton was unemployed and had rusty skills when she started classes in April. "They're really great in terms of the training offered and the motivation of instructors," Dixon-Burton said. "Because of them, I am working. I'll always remember them for turning my life around."

Once participants complete training, the ability of the IPTC staff to find graduates gainful employment largely depends upon the willingness of firms to hire them -- a task made less difficult because of the quality of IPTC graduates.

From the beginning, the Center enjoyed an overwhelming amount of support from the business community. IBM supplies training equipment and maintains the machines to the tune of $249,000 per year. The company also continues to hire IPTC graduates. Other employers include: Automated Datatron, Inc., Howard University Hospital, Veterans Administration, Riggs Bank, Xerox, Inc., American Security Bank, Small Business Administration, Amtrak, Pepco, the Joint Center for Political Studies, and the D.C. Public School System.

Promotions and salary increases of IPTC graduates within several months of their placement is not uncommon, and employers frequently relay to IPTC staff their satisfaction with the new employees.

-30-

10/24/86

ATTACHMENT B

AFFILIATES OF THE NATIONAL URBAN LEAGUE

A REGIONAL OVERVIEW

SOURCE: *National Urban League, Inc., 75TH Anniversary Journal 1910-1985*. National Urban League, Inc., New York, New York, July 1985.

Overview of the Eastern Region

The Eastern Region of the National Urban League consists of 29 affiliates located in eight states and the District of Columbia. The geographical boundaries range from Boston (North) to Norfolk (South) with Farrell, Pennsylvania, as the westernmost point. The service area population encompasses some 32,904,748 of which 15.9% or 5,232,367 are black.

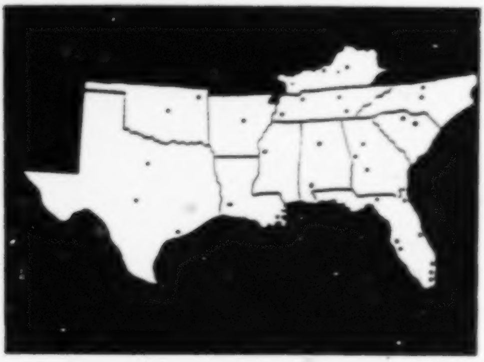
There are eight affiliates in New York, five in Pennsylvania, six in New Jersey, three in Connecticut, two in Massachusetts, and two in Virginia. Additionally, there are affiliates located in Baltimore, Maryland, Washington, D.C., and the State of Rhode Island.

If trends continue, by the next decade all major cities in the East (with populations in excess of 100,000) will be among the poorest. Each city in the region has lost manufacturing jobs (blue collar). The emerging jobs are not compatible with the education or skills level of the population remaining in the region's cities. The unemployment rate averages 6.6%, 1% to 2% above the national level, and is double that for blacks, except for selected pockets of the region, such as Western Pennsylvania, Buffalo, etc. that have been more seriously affected by drastic lay-offs and plant closings in steel and other heavy industries.

Given the climate, for the most part, the region remains healthy, even though funding has not kept pace with inflation. Eastern Regional affiliates received United Way allocations of some $[illegible] million in Fiscal Year 1984/85, which represents a 4% increase—the smallest in recent history. Affiliates fundraising efforts (special events, etc.) generated some $2.1 million toward their general fund operations. Special project funding in the region has gone from a high of $27 million in 1980 to $15,499,274 in 1984.

In terms of human resources, the 29 affiliates reported general staff of 301 persons and 545 special project staff persons. Board membership totalled 888. The number of Guild Members has increased in the region from 1095 to 1405 and 27 of the 29 affiliates have active Guilds.

Overview of the Southern Region



The Southern Region of the National Urban League extends across the upper tier of the southern states—North Carolina, Tennessee, Arkansas and Oklahoma—and down into what could be called the lower tier—Texas, Louisiana, Mississippi, Alabama, South Carolina, Florida, Kentucky and Georgia. In those 12 states are located 31 League affiliates whose primary constituents number some 3,171,000 or 27% of the population in the affiliate cities.

The nature of the cities themselves range from the bustling of a New Orleans or an Atlanta, to the somewhat quieter pace of an Albany, GA or a Knoxville, TN. In terms of black population, the cities range in size from Houston, with 440,346 blacks to West Palm Beach, FL with 17,571.

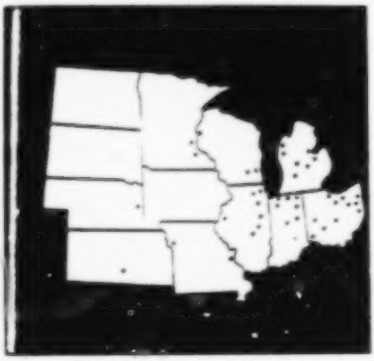
If there is one common trait of the region, it is variety. While agriculture is still of major importance, over the past several decades industry has grown tremendously along with such services as banking, finance, and information systems. In addition, a number of research centers have been created.

The Old South —that land where blacks once literally lived in fear of their lives—has given way to the often talked about "New South"—where social and economic patterns have changed tremendously. But many problems still remain for black people. There has been a [illegible] in the economic growth of the region and along with that [illegible] has been the rise of opposition to upward mobility and economic advancement of minorities.

Public schools continue to lag behind the rest of the nation and employment statistics show no measurable improvement in the overall job status of blacks. At the same time, it is true that blacks are finding jobs in positions that once they would have never even dreamed about holding, and black political strength is on the rise.

There has also been a noticeable reverse migration as many blacks from other parts of the country have headed back "down home" in search of more satisfying lives.

Overview of the Central Region



The Central Region is the largest of the National Urban League's four regions. It encompasses 41 affiliates in nine states that constitute the "heartland of America," often referred to as "Mid-America" or the "smokestack states."

The nine states of the Central Region contain 5,289,064 persons identified by the U.S. Census Bureau as black. Of this number 4,261,923 (80.6%) reside in communities that are served by the 41 affiliates in the region. Major cities in terms of the black population in the region are: Chicago (1,197,000), Detroit (758,939), Cleveland (345,646), St. Louis (206,386), Kansas City (173,184), Indianapolis (156,620).

All 41 affiliates have active employment programs, many of which are focused on the retraining of industrial workers who have been displaced by automation in major industries. In addition to employment training programs approximately 62% of the Central Region affiliates are involved in housing counseling programs. These programs are primarily focused on counseling for persons who are in default in mortgage payments or who are approaching foreclosures. Again this is due to the high unemployment of workers in the Central Region.

As of April 1985 some 18% of the region's affiliates had embarked upon some form of computer training and computer activities directed primarily at single-headed households and high school graduates who do not intend to enroll in college. Economic development for the Central Region continues to be a major thrust program for affiliates as well as programs in teenage pregnancy.

Overview of the Western Region

The Western Region of the National Urban League encompasses the Westernmost states of the United States. Twelve local Urban Leagues—strategically positioned in the states of Arizona, California, Colorado, Oregon and Washington—serve 45 cities in the Western Region.

The Western Region is unique in the alignment of racial and ethnic groups. It has fewer blacks—less than two million—than any other region. Blacks are outnumbered almost two to one by Hispanics. Pacific Asians are found in greater numbers in the Western Region than in any other locale outside of the Philippines, China, Japan and Korea. Urban Leagues serve counties in which 84% of all blacks in the West live.

The Western Region has a very diversified economic base and is rich in natural resources. Tourism is one of the major industries of the region. The Northwest is the home of the timber industry. The region is the home of a host of military installations including the Air Force Academy in Colorado. California is the home of the movie industry and heavy concentrations of the oil industry. The desert climate of Arizona provides a home for many retirees and others who seek escape from the more harsh climate of other areas of the nation. Electronic and other high tech industries are increasing rapidly in the region.

The uniqueness and diversity provide the Urban League with both opportunities and challenges as it seeks to accomplish its mission.

The **Chairman**. Reverend Sullivan?

Reverend **Sullivan**. Mr. Chairman and members of the Committee, it is a privilege to appear before you today to share my thoughts on welfare reform.

I support your efforts to improve the operation of our public assistance programs by motivating current welfare recipients to help themselves through training and education and to invest in the human potential of current recipients and their children.

We want to thank you for spotlighting the problem. We are concerned in America with many things. We are concerned with problems in Lebanon, and that is needed. We are concerned with problems in Guatemala, and that is needed. We are concerned with problems in the Philippines, and that is needed. We are concerned with problems in South Africa, and everyone in the world knows that is needed.

But we have a tragedy in America. It is a tragedy of literally millions of Americans who are unable to secure jobs, to become employable, to help themselves. And it is time for America to concentrate on the growing problem of unemployment in the inner cities and urban areas of this country before it gets out of control.

In every urban area of this country, by millions, people have no jobs. Not since the days before the riots have I seen so many people on the street corners of America with nothing to do with their time—young men, young women, idle, literally many of them drinking themselves to death. The jails are full of young men and young women who would like a new way of life, but they need hand-ups, not hand-outs.

We think that what you are doing now is serving the real purpose of America. The problem is growing, and this problem is social dynamite.

Mr. Jacob's report describes clearly the situation as it exists today, and it is to the Congress of the United States and to the President of the United States that the poor of America are looking to for some help.

The Jobs for Employable Dependent Individuals Act, or JEDI, can help millions of poor people, people who have little education, few skills, and minimum hope because they are dependent on public assistance.

JEDI can offer people a chance to regain self-respect through education and training for jobs. Let me take this opportunity to commend you, Senator Kennedy, and others who are here today on this Senatorial panel, for taking this emphasis and making this a national priority.

I support incentive bonuses to the States who increase the number of welfare recipients who are being trained and placed in jobs. And let me pause here and say—trained and placed in jobs, poor welfare people.

The present system we have is a joke as far as reaching the masses of poor people in America is concerned. It is a cream-off of those who are capable, many of them, of finding opportunities for themselves and neglecting the real needs of this country—people who have no skills, who need motivation, who need some help in the streets of this nation.

What we have today in JTPA, unless it is changed through the kinds of amendments and through the kinds of changes that you might hopefully bring about, is a rip-off of government resources in the name of helping people who need assistance, who are supposed to be on welfare and unemployed.

It does not touch the vast need of black unemployed youth in this country. It does not touch the vast need of young women in this country who are unemployed. You need some process that will motivate States to develop training programs, motivational programs, basic education programs, incentive-type programs, that will reach people where they are in the streets, train them, place them in jobs, follow them up and help them to get on their feet. And we do not have it yet, we do not have it now.

I am hoping the JEDI and this bonus concept can go a long way toward opening the door to the poor of America that today has been closed in the name of assisting the poor in what we call training and jobs programs.

So I join the Urban League, and I join my friends from La Raza and others who represent community-based organizations around this nation, to thank you for focusing on this priority need in America, putting the spotlight on the problem before it gets out of control.

I want to thank you. Anything OIC can do in our 100 cities, we are willing to help. An OIC Program that is 23 years old, that has trained one million Americans, has taken 500,000 people off welfare rolls—and we have done it as community-based organizations.

Do not leave community-based organizations out of this legislation. Do not leave us out. Put us in. Put us in, and we will reach the people who need the help. Take us out, leave us out, and you will never reach the poor. Those programs that are government-sponsored and organized and run will not go into those pool halls, will not go into those back streets, will not go onto those stoops, will not go into those areas where people need help. They will not go because they are afraid to go there.

You need programs in the cities, in those communities, people who can reach, who are the poor, to help the poor. That is what community-based programs are. Do not leave us out. Write us in. And if you write us in with this bonus program, we can help turn this situation around.

Thank you very much.

The CHAIRMAN. Reverend, we wish you would speak a little more frankly about your views on this legislation. [Laughter.]

I think we have a full understanding—and thank goodness, we have written you in.

[The prepared statement of Reverend Sullivan follows:]

Statement of Rev. Leon H. Sullivan

Mr. Chairman and members of the committee, it is a privilege to appear before you today to share my thoughts on welfare reform and the experience of the Opportunities Industrialization Centers of America (OIC). I support your efforts to improve the operation of our public assistance programs by motivating current welfare recipients to help themselves through training and education and to invest in the human potential of current recipients and their children.

The Jobs for Employable Dependent Individuals (JEDI) legislation can help millions of poor people, people who have little education, few skills, and minimal hope because they are dependent on public assistance. JEDI offers people a chance to regain self respect through education and training for jobs. Let me take this opportunity to commend you, Senator Kennedy, for conceiving the Jobs for Employable Dependent Individuals Act. I support incentive bonuses to states to increase the number of welfare recipients who are being trained and placed in jobs. I know that given the opportunity, welfare recipients will invest time and effort to prepare themselves for employment. I further want to support the provisions to redirect unexpended JTPA funds to the training of welfare recipients.

Finally, I support JEDI because it incorporates principles introduced by Senators Arlen Specter and Christopher Dodd in S 280 which encourage states to provide outreach, pre-vocational training, basic education and other supportive services which OIC and other CBOs have demonstrated can motivate and prepare recipients of public assistance for work. OIC and other CBOs are ready to support the passage of JEDI and to use our energy and resources to help make welfare recipients self sufficient.

Our current welfare system is counter productive. It was created to help people who need financial support, an alternative to destitution. But today, there is little support for our current welfare programs.

- Taxpayers resent supporting welfare recipients who they perceive as lazy or unmotivated.
- Recipients feel degraded and helpless because the system provides a minimum standard of living and offers no escape.
- Welfare professionals seek to improve a system whose rules are too complex and administration is unmanagable.

Welfare programs and particularly Aid to Families with Dependent Children (AFDC) fosters dependency, degrades recipients and increases family instability. Why is it that a program created from noble human concerns for the least fortunate in our society has evolved into a program which does harm while professing to do good? Why is it that the recipents, the taxpayers and the professionals working for public assistance agencies all support changes in the current system?

It is obvious that change is needed and education and training for jobs is a part of the solution. As you know, I am the Founder and Chairman of the Board of the Opportunities Industrialization Centers of America, Inc. (OIC) a national network of community based employment and training programs. I support specific reforms which the experience of OIC suggests can help reduce dependency by motivating, educating, training and finding jobs for welfare recipients. OIC was created to operationalize the philosophy of self help. People will help themselves if they believe it will lead to a better life for themselves and their children.

I support welfare reform legislation and enlist the OICs of America and encourage other Community Based Organization's (CBO's) to support an effort to help people help themselves. OIC evolved twenty-two years ago as a result of a successful consumer boycott against Philadelphia businesses which discriminated against Blacks. The boycott was successful because it was supported by 400 Black ministers and mobilized a huge part of the community. When employers came to me and other ministers and asked for referrals of workers so they could pursue affirmative action, we realized many people needed training before they could perform the work on the job.

OIC was created to respond to the requests of employers for skilled minority workers. We enlisted the help of employers and the government to support the education and training effort. That broad support - employers, elected officials, ministers and other community leaders - became the community base for OIC. Its purpose was to motivate people to take advantage of an education and training program that prepared them for real jobs. It succeeded because OIC was able to forge a partnership with business, industry and government to support a comprehensive range of services that was needed to prepare the unemployed for work. OIC developed these pragmatic principles:

- Screen people in, not out. We wanted to help those most in need. We learned to use tests to prescribe, not to exclude. We employed staff who could see human potential and instill hope. OIC tried to help everyone.
- OIC motivated by instilling pride. Everyone can be someone. We asked people to give themselves a chance and found that the success of neighbors and fellow trainees was motivating.
- Pre-vocational training which we called the "feeder" was developed to serve the "whole person." The "feeder" taught adults to communicate and compute, to have pride in themselves and their heritage and to plan for the future.
- OIC training was geared to real jobs because employers helped design the training. Training was open ended and open exit so that training was completed when they took a job. We encouraged people to continue training at night even after they got a job.

- Training was located in neighborhoods where it was accessible to the unemployed.
- Referral and even job placement did not end the relationship between OIC and the trainee. Often, the most important work happened after placement. OIC counseling helped people stay on the job, overcome problems and sustain the motivation which was instilled in training.
- OIC learned to serve the whole person and the whole family. Knowing that people lose jobs because of family or personal problems with health or legal problems leading

to absenteeism.

With twenty-two years of helping people, OIC has learned that the job doesn't get easier. There is no quick fix for the long term welfare recipient. They need support, motivation, education and training and some need more than one chance.

I am proud of OIC, I know we can help reform the welfare system. I know we can educate, train and place recipients of public assistance. OIC has a distinguished record of training and placing unemployed persons and welfare recipients.

Since its inception in 1964.

- OIC has served 1,165,713 persons
- 45.1 percent or 525,736 of those served by OIC were recipients of public assistance
- 748,070 of those served completed training
- 558,263 of those who completed training (74%) were placed in unsubsidized jobs

OIC is pursuing welfare reform to help people help themselves. We have joined with our distinquished colleagues at the National Urban League to suggest legislative reform. We urge a way be found to include the capacity and expertise of all community based organizations of demonstrated effectiveness. The problem is immense and the resources are small by comparison. Use CBOs like OIC, the National Urban League, 70001, SER-Jobs for Progress, Community Action Agencies, United Way Agencies and others to enhance capability. CBOs have shown that they can recruit and motivate people, provide alternative services and involve the broad community in programs to help those most in need.

OIC and other CBOs can enhance welfare reform. We have a history of collaboration with federal, state and local government, business and industry and other community organizations. We can vouch for the sincerity of public agencies and employers who want to help. We can decentralize services by bringing them to parts of the community which are lacking adult education or training programs. We can offer non-traditional approaches to educating, training and placing people on jobs.

Let me list each of the principles which I feel must be included in a proposal to reform our current welfare system:

1. Inclusion of CBOs of demonstrated effectiveness - CBOs have been an effective method of targeting services to populations with severe needs. We ought to be included in the system, not treated as another vendor. Human resource development services should be selected based on the ability and committment to service special groups. Measure CBOs against standards, hold us accountable. CBOs can make welfare reform a reality.
2. Target the long term welfare recipient and the long term unemployed. The principle of targeting is critical and experience suggests that if the hardest to serve are not given a priority for service, they are therefore excluded.
3. Include essential services - Such as: outreach, basic skills and literacy, attitude modification and motivation, counseling, parenting skills, an internship or work tryout period, skills assessment, job search, placement and follow-

up. These elements need to be tailored to individuals needs.

4. Realistic performance standards - The effectiveness of CBOs and all other deliverers of services should be judged by objective measurement. For long term welfare recipients and the long term unemployed, there must be realistic standards. It is reasonable to assume that it will take longer to train some one who has not worked in years, has no skills and a low level of literacy. Performance standards must reflect these unique needs and the higher costs.

5. There must be a provision for supportive services - Such as: child care transportation and health care. For parents of small children these are essential services. Key to the success of any self help effort for welfare recipients is the availablility of child care and health care which can be afforded after placement on a job.

In conclusion, welfare reform will not be accomplished overnight. The legislative process grinds exceedingly slow. Self help through education and training can reduce welfare dependence. We must offer people an opportunity to become independent. I do not advocate a separate delivery system. OIC has a commitment to make all of our systems and agencies more effective. We must learn to work together to increase our total effectiveness. Business and industry must be an integral part of this effort. Welfare reform will require a long term concerted effort to help the long term welfare recipients. The proposed amendments to the Job Training Partnership Act and the Social Security Act are an investment in human potential, a vehicle to reduce the costs of public assistance and increase productivity.

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The **Chairman**. Raul Yzaguirre, we are delighted to have you present, representing the National Council of La Raza.

Mr. **Yzaguirre**. Thank you, Mr. Chairman.

I am tempted to start off by saying "Amen."

The **Chairman**. I thought the Reverend was going to take a collection here; we got a good sermon.

We are delighted to have you.

Mr. **Yzaguirre**. Mr. Chairman, I have a longer prepared statement that, with your acquiescence, I would like to enter into the record. But I would like to start out with the summary of my comments.

Mr. Chairman and members of the Committee, my name is Raul Yzaguirre, and I am President of the National Council of La Raza, one of the largest national Hispanic organizations. I appreciate the opportunity to appear before you today to offer testimony on the Jobs for Employable Dependent Individuals Act.

The Hispanic community faces several problems which affect its labor market competitiveness, such as double-digit unemployment rates, severe under-employment, the highest dropout rates in the country, the lowest educational attainment rates, and the lowest per capita income of any group in America.

The growing proportion of Hispanics within the work force suggests that maximizing productivity of this disadvantaged subgroup is in the nation's best interest. Recent data from the Bureau of Labor Statistics and the Census Bureau reveal that poverty among Hispanics has worsened at the same time that conditions improved for Anglos and, if only marginally, among blacks.

Though Hispanics experience high rates of poverty, our community has tended to underutilize public assistance programs such as Aid to Families with Dependent Children.

Senator, you have addressed the issue of funding cuts and the disqualification of many poor from government assistance. Job training is a very important area which has suffered severe cuts in Federal funding. Less than 5 percent of the eligible individuals are served under JTPA. This limited funding, combined with performance standards which favor the least disadvantaged, tends to minimize program participation by Hispanics.

Data on performance and participant levels in JTPA from its inception through the first quarter of program year 1985 indicate that Hispanics have participated at rates significantly lower under CETA. Under this program, our rate of participation has been 11.4 percent during the first two years of JTPA. Hispanics comprised approximately 9.6 percent of all participants. Statistics for the first quarter of the program year 1985 show a decrease in Hispanic adult enrollment from the previous years of JTPA, dropping to approximately 8 percent. And if you go back, under MDTA, you will find that the decrease is even more significant.

Thus at a time when rates of poverty and unemployment continue to increase among the Hispanic population, Hispanics are being denied assistance that would help bring them out of poverty and into productive labor force participation.

Senator, we support your legislative initiative. Let me talk about some of the specifics.

The concept of a bonus to States as an incentive to reduce Federal welfare rolls is an obviously attractive option in a time of severe fiscal constraint at the Federal level. As others have pointed out in previous testimony, it makes good sense from both a fiscal and a human standpoint to target resources to those with the greatest barriers to employment.

Many of those individuals with the greatest barriers are most likely to be long-term welfare-dependent individuals who require the greatest public assistance expenditures. The Administration has for some time been encouraging States to implement employment programs to move people out of welfare and into active labor force participation.

While the Administration and State-generated proposals have not always met acceptable standards of fairness, nor have they always met the needs of the most disadvantaged, we support proposals that give State the incentive to provide comprehensive, equitable services to those most in need of training and employment.

Regarding the payment of bonuses, it is crucial that the savings earned through effective job placement be returned to service providers and to training and related activities.

However, in order to ensure that service providers meet the needs of the hardest to serve, the bill should include a provision which encourages the States to target funds to service providers who furnish remedial education, including literacy training for limited-English-proficient individuals and extensive child care services.

Let me talk a little bit about some of our concerns.

Though these provisions may encourage effective programs, a serious question comes to mind. We must ask ourselves in a time of recession-level unemployment where will we find useful jobs that provide employment skills and decent wages without displacing regular workers.

Naturally, much will depend on job markets in different regions. Some States with strong job markets will benefit more than those experiencing exceptionally high levels of unemployment.

In addition, given the limited funding for JTPA training programs, service providers will be hard-pressed to provide the training and, in the case of so many Hispanics, remedial education necessary to place participants in long-term jobs.

One possible solution to this problem is the creation of a public service jobs program. Though the reputation of public service employment programs took a severe beating under CETA, we need not dismiss the possibility of using public service jobs to help create employment opportunities where they otherwise would not exist. We should learn from our previous experience, and using strong oversight and program controls, implement a responsible, cost-effective public service jobs program.

In addition, Private Industry Councils under JTPA should take a more active role in generating employment opportunities in their local areas.

Let me talk about some other considerations.

While employment and training programs for welfare recipients and others who face barriers to employment are critical, we must also seek other approaches to alleviate poverty in our society.

First, we must put an end to employment discrimination against minorities and women. A 1982 study by the National Council of La Raza showed that about 14 percent of the wage gap between Hispanics and Anglos was attributable to employment discrimination alone.

Second, we need policies at the Federal level that encourage economic development activities which will stimulate meaningful job creation.

The National Council of La Raza applauds Senator Kennedy's efforts to create programs which will effectively serve the truly needy and prove to be fiscally sound as well. The 100th Congress has a great opportunity as well as a tremendous responsibility to curb the dangerous trends in poverty and dependency in this country.

Part of the battle against poverty must be fought at the State level through welfare-to-work programs that provide the necessary training and services to help welfare recipients obtain better jobs and achieve long-term self-sufficiency, rather than stressing immediate job placement and welfare savings.

We must avoid coercive and punitive practices in welfare-to-work programs. A wide range of options and activities available to participants is important in order to respond to the variety of needs of the hard-core unemployed.

More resources must be channelled into programs for those who face greater barriers to employment and self-sufficiency. For Hispanics, this means greater funding for remedial education, including training for limited-English-proficient individuals, basic skills and literacy training. In the long term, these programs will prove to be fiscally sound, because they will enhance the earnings and productivity of those who otherwise might be least likely to succeed in the labor market. In addition, as earnings for these individuals increase, so will their tax contributions.

Mr. Chairman, the National Council of La Raza supports your attempt to make the Job Training Partnership Act and welfare assistance more responsive, effective, and accountable. I reiterate the commitment of the National Council of La Raza toward improving training and employment opportunities for all disadvantaged and Hispanics in particular.

I would be happy to submit any additional materials regarding the Hispanic labor force and program participation for your record and your files. The National Council of La Raza will gladly assist the Committee in whatever way possible.

Thank you very much.

The Chairman. Thank you very much.

[The prepared statement of Mr. Yzaguirre follows:]

TESTIMONY ON THE
JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS ACT

Presented by

Raul Yzaguirre
President
National Council of La Raza

Before the

Senate Committee on Labor and Human Resources
United States Senate

February 3, 1987

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NATIONAL COUNCIL OF
LA RAZA
OFFICE OF RESEARCH
ADVOCACY AND LEGISLATION

I. INTRODUCTION

A. Overview

Mr. Chairman, members of the Committee, my name is Raul Yzaguirre, and I am President of the National Council of La Raza, one of the largest national Hispanic organizations. I appreciate the opportunity to appear before you today to offer testimony on the Jobs for Employable Dependent Individuals Act. The National Council of La Raza exists to improve life opportunities for Americans of Hispanic descent and is a private, nonprofit organization representing over 75 local Hispanic community-based organizations in 22 states and the District of Columbia. The National Council has a long standing commitment toward improving the training and employment opportunities available to all Hispanics -- and most especially to those who experience long-term, structural unemployment due to employment discrimination, severe lack of education, job skills and meaningful employment opportunities. Many of our affiliates have a history of providing employment and training services under the Comprehensive Employment and Training Act (CETA), and today several of them are service providers under the Job Training and Partnership Act (JTPA).

B. The Hispanic Community

The Hispanic community faces several problems which affect its labor market competitiveness, such as:

- Double-digit unemployment rates;
- Severe underemployment;
- The highest dropout rates in the country;
- The lowest educational attainment rates; and
- High poverty rates

Hispanics now account for 6.7% of the labor force; in 1990 Hispanics will account for 8-9% of the labor force. The growing proportion of Hispanics within the work force suggests that maximizing productivity of this disadvantaged subgroup is in the nation's best interest.

Recent data from the Bureau of Labor Statistics and the Census Bureau reveal that poverty among Hispanics has worsened at the same time that conditions improved for Anglos and — if only marginally -- among Blacks. While general economic conditions and demographics partially explain massive increases in Hispanic poverty rates, other factors must be considered. Hispanics are concentrated in low-skill, low-wage occupations, and are strikingly underrepresented in managerial and professional occupations. The problem is not lack of motivation. Hispanic men have the highest rate of labor force participation of any identifiable group. The problem is inadequate preparation for the labor force, and resulting unemployment, underemployment and low wages.

C. Program Participation

Though Hispanics experience high rates of poverty, the community has tended to underutilize public assistance programs, such as Aid to Families with Dependent Children. A 1981 study by the National Council of La Raza concluded that families and individuals with the greatest need are often the least likely to participate in such public assistance programs. This issue is of particular concern to Hispanics, since a variety of factors, including language differences, reduce Hispanic participation in some programs, even when they are eligible and in need of assistance. Another study by Marta Tienda and Leif Jensen for the Institute for Research on Poverty at the University of Wisconsin also found that Hispanics overall, and Hispanics of Mexican origin in particular, were relatively underrepresented among welfare recipients.

Senator Kennedy has addressed the issue of funding cuts and the disqualification of many poor from government assistance. Job training is a very important area which has suffered severe cuts in federal funding. Less than five percent of eligible individuals are served under JTPA. This limited funding, combined with performance standards which favor the least disadvantaged tends to minimize program participation by Hispanics. Targeting language, which the 1986 amendments improved to some degree, still allows too much discretionary interpretation by SDAs.

Data on performance and participant levels in JTPA from its inception through the first quarter of program year 1985 indicate that Hispanics have participated at rates significantly lower than under CETA. Under CETA, Hispanics participated at a rate of 11.4%; during the first two years of JTPA, Hispanics comprised approximately 9.6% of all participants. Statistics for the first quarter of program year 1985 showed a decrease in Hispanic adult enrollments from the previous years of JTPA, dropping to approximately 8.0%. Hispanic youth continued to be served at levels significantly below their representation in the eligible population, a special concern given the employment problems of Hispanic youth. From CETA in fiscal year 1982 to the end of the JTPA transition year in 1984, there was a decrease of 6% in the proportion of dropouts served. Since over half of Hispanic adults are not high school graduates, this is a serious shortcoming. Thus, while rates of poverty and underemployment and unemployment continue to increase among the Hispanic population, they are being denied assistance that would help bring them out of poverty and into productive labor force participation.

II. THE JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS ACT

We are pleased that this Committee has taken an active role in bringing key issues regarding poverty and employment to the forefront of the congressional agenda. Senator Kennedy's bill is a very positive step toward addressing some problems JTPA has had in reaching the hard-to-serve, especially long-term welfare recipients. However, I must also emphasize the need to go beyond the proposal to reach those hard-core unemployed individuals who would not benefit from this bill. As I mentioned earlier, many Hispanics fall into this category due in part to their underutilization of federal public assistance.

Before I elaborate on needed efforts beyond the scope of Senator Kennedy's proposal, allow me to comment on specific elements of the bill.

A. Incentive Bonus Entitlement

The concept of a bonus to states, as incentive to reduce federal welfare rolls, is an obviously attractive option in a time of severe fiscal constraint at the federal level. As others have pointed out in previous testimony, it makes good sense from both a fiscal and a human standpoint to target resources to those with the greatest barriers to employment. Many of those individuals with the greatest barriers are most likely to be long-term welfare-dependent individuals, who require the greatest public assistance expenditures. The Administration has for some time been encouraging states to implement employment programs to move people out of welfare and into active labor force participation. While the Administration- and state-generated proposals have not always met acceptable standards of fairness -- nor have they always met the needs of the most disadvantaged -- we support proposals that give states the incentive to provide comprehensive, equitable services to those most in need of training and employment.

In order to reach those with the greatest barriers to employment, it will be necessary to allocate more resources to education and basic skills training.

if long-term unemployed and welfare-dependent individuals are to successfully enter the labor market, their literacy and skill levels must be raised. This will require more intensive and often more costly services. For this reason, the eligibility requirements in Senator Kennedy's bill are appropriate considerations in an effort to motivate states to provide such services. By targeting individuals 25 years old or younger, with no work experience for the previous year and no high school diploma, Hispanics, who tend to be younger and are more likely to be high school dropouts, may also benefit from the proposed eligibility standards.

The stipulation that participants remain on the job for one year, with an income above the benefit level they would receive on welfare, is also a very important element of the bill. Similar standards under JTPA training programs have led to "creaming" -- the selection of the least disadvantaged and most job-ready who will be more likely to meet placement and retention rates. However, the combination of these standards with the eligibility requirements to serve long-term welfare recipients, long-term unemployed, and high school dropouts should prove effective in reaching many of those who have been ignored by the JTPA training programs.

Regarding the payment of bonuses, it is crucial that the savings earned through effective job placement be returned to service providers and to training and related activities. However, in order to ensure that service providers meet the needs of the hardest-to-serve, the bill should include a provision which encourages the states to target funds to service providers who furnish remedial education, including literacy training for limited-English proficient individuals and extensive child care services.

B. Concerns

Though these provisions may encourage effective programs, a serious question comes to mind. We must ask ourselves, in a time of recession-level unemployment, where will we find useful jobs that provide employment skills and decent wages without displacing regular workers? Naturally, much will depend on job markets in different regions. Some states, with stronger job markets, will benefit more than those experiencing exceptionally high levels of unemployment. In addition, given the limited funding for JTPA training programs, service providers will be hard-pressed to provide the training and, in the case of many Hispanics, remedial education necessary to place participants in long-term jobs.

One possible solution to this problem is the creation of a public service jobs program. Though the reputation of public service employment programs took a severe beating under CETA, we need not dismiss the possibility of using public service jobs to help create employment opportunities where they otherwise would not exist. We should learn from previous experience and, using strong oversight and program controls, implement a responsible, cost-effective public service jobs program. In addition, Private Industry Councils under JTPA should take a more active role in generating employment opportunities in their local areas.

III. THE JOB TRAINING PARTNERSHIP ACT

There is much room for improvement in JTPA. Senator Kennedy's bill reflects excellent judgment in linking welfare-to-work programs with JTPA. This will allow those on public assistance rolls greater access to the training programs they so desperately need to compete in today's job market. However, many who do not qualify for AFDC or refugee assistance are equally in need of such training and should be served under JTPA.

Congress made progress toward reaching such individuals when it passed the Job Training and Partnership Act Amendments of 1986. In particular, the remedial education component for summer youth programs and the mandate to establish literacy and dropout prevention programs and school-to-work assistance are valuable amendments. The amendments fall somewhat short, however, in that no specific funding percentages were required for these programs. This leaves programs critical to Hispanics at the discretion of SDAs who are already operating on severely limited budgets and under strict performance standards. They will be hard-pressed to find the funds and the flexibility to adequately implement such programs.

Another important amendment to JTPA was the requirement that funds for research, development and pilot projects be targeted to populations with serious barriers to employment. The impetus behind this particular amendment was the need to properly address the concerns of the handicapped and displaced homemakers. However, a large gap exists in research and development with regard to the Hispanic community. In order to address the deficiencies in research in this area, and to implement successful strategies, funds should be targeted to projects for Hispanics as well.

IV. OTHER CONSIDERATIONS

While employment and training programs for welfare recipients and others who face barriers to employment are critical, we must also seek other approaches to alleviate poverty in our society. First, we must put and end to employment discrimination against minorities and women. A 1982 study by the National Council of La Raza showed that about 14% of the wage gap between Hispanics and Anglos were attributable to employment discrimination alone. Women continue to be excluded from non-traditional, higher-paying jobs, resulting in a wage gap in which women receive $.64 for every $1.00 earned by men. Secondly, we need policies at the federal level that encourage economic development activities which will stimulate meaningful job opportunities.

V. CONCLUSION

The National Council of La Raza applauds Senator Kennedy's effort to create programs which will effectively serve the truly needy and prove to be fiscally sound as well. The 100th Congress has a great opportunity as well as a tremendous responsibility to curb the dangerous trends in poverty and dependency in this country. Part of the battle against poverty may be fought at the state level through welfare-to-work programs that provide the necessary training and services to help welfare recipients obtain better jobs and achieve long-term self-sufficiency, rather than stressing immediate job placement and welfare savings. We must avoid coercive and punitive practices in welfare-to-work programs. A wide range of options in activities available to participants is important in order to respond to the variety of needs of the hard-core unemployed.

More resources must be channeled into programs for those who face the greatest barriers to employment and self-sufficiency. For Hispanics, this means greater funding for remedial education, including training for limited-English proficient individuals, basic skills and literacy training. In the long term, these programs will prove to be fiscally sound because they will enhance the earnings and productivity of those who otherwise might be least likely to succeed in the labor market. In addition, as earnings for these individuals increase, so will their tax contributions.

Mr. Chairman, the National Council of La Raza supports your attempt to make the Job Training Partnership Act and welfare systems more responsive, effective and accountable. I reiterate the committment of the National Council of La Raza toward improving training and employment opportunities for all disadvantaged and Hispanics in particular. I will be happy to submit any additional materials regarding the Hispanic labor force and program participation for the record and your files. The National Council of La Raza will gladly assist the Committee in whatever way possible. Thank you for your attention.

The **Chairman**. I recognize Senator Specter, who is a cosponsor of the legislation. I know he had wanted to be here to present Reverend Sullivan. We will recognize you for any brief comment, before we go to the questioning.

Senator **Specter**. Thank you very much, Mr. Chairman. I shall be brief.

I would like to introduce Dr. Sullivan—obviously, a man who needs no introduction, but that never stops Senators from making them.

I recall Dr. Sullivan's start in Philadelphia at a police district at 19th and Oxford Streets. I was an assistant D.A. at the time. He took a ramshackle building and has turned it into a magnificent job training program that moved from the City of Philadelphia into the State of Pennsylvania to the United States, and is now internationally acclaimed.

No one could state as forcefully or as eloquently as Dr. Sullivan already did during his testimony the importance of the community-based organizations. I had occasion to work with Dr. Sullivan at OIC and the National Urban League, with John Jacob, last year on legislation which was introduced in the Senate and the companion bill in the House, and Senate Bill 280 as introduced in the Senate with 281. And I look forward to working with you, Mr. Chairman, and with this Committee.

I think that community-based organizations are an integral part. As I said earlier in the press conference which I attended with you this morning, there are companion items which have to be addressed so that if there are two parents in a household, they are not taken off of AFDC so long as one is in job training, and there has to be a transition so that AFDC and Medicaid stay, so that when people take low-paying jobs, they can move from the welfare rolls to the payrolls.

That is Dr. Sullivan's approach, Mr. Jacob's approach, and I think the community-based organizations are a very vital aspect. They have proven to be successful, much more so than the government action. We have seen that the Job Training Partnership Act has not done what it should have, and I think the concepts which this panel has explained today must be incorporated in our legislation. So I support your efforts, Mr. Chairman, and the efforts of this Committee.

Thank you.

The **Chairman**. Thank you very much.

We will follow a time restriction. I have one question for Dr. Jacob, and also Reverend Sullivan, and then a different one for Mr. Yzaguirre.

Mr. Jacob, could you just comment on those particular elements which you find continue to flow through various training programs but are common to the ones which are successful and whether it is your understanding that those elements are included in the proposal that is before us today.

Mr. **Jacob**. Thank you, Mr. Chairman.

To put it in perspective, I think it is important for us to understand that when we talk about the unemployed, there is a general notion for people to have a perception of millions of people running around who are untrained, uneducated, undertrained and undereducated. Therefore, for purposes of this legislation, I think we are talking about a disaggregation of that so that we recognize that we are indeed not talking about the educated who are unemployed or the trained who are unemployed. We are talking in this legislation about the most needed; the people with the least training, the least education, the least skills.

Therefore, there are a number of things, it seems to us, that have been common in dealing with this kind of problem.

First and foremost, you have got to go and reach the people; you have got to go and get them. We are talking about people who have been outside of the system for so long that they do not believe that the system is really serious about addressing their needs. That is why it is critical for community-based organizations to have a participatory role because we can go into the crevices of those communities to educate the community on the availability of these opportunities, point one.

Point two is that, recognizing that we are talking about people with limited skills and limited abilities, there may very well be a pre-training need that they have. They may have to be helped to learn how to read better, how to compute better, so that they can participate in a training program.

This is best demonstrated for us in some 28 word processing and clerical training centers that we operate with IBM around the country, where we indeed have pre-training for people so that they can pass the test to get into the training program where they can learn to operate the technologies that are needed in today's environment.

So we are talking therefore about a pre-training component.

We are also talking about skill development. We are talking about programs that provide people with marketable and saleable skills in the marketplace.

And finally, Mr. Chairman, we are talking about a component that is out there, in the marketplace, selling the product to employers, convincing employers that these are not problems, these are people, and that these people can indeed make a major contribution to their companies, to their businesses, and indeed to America.

The CHAIRMAN. Reverend Sullivan, on the same point, you have had obviously very considerable successes, and there are elements which are common to those programs which are successful. But could you also state whether you understand these elements are included in the legislation before us.

Reverend SULLIVAN. Yes. Largely concurring with the statement made by Mr. Jacob, we need programs that will reach the people, train the people and place the people. To reach the people, you must go where the people are. You must motivate people for self-improvement. That is in the community where the people are.

You need programs that will stress self-help, so that instead of people waiting for someone to do something for them, they will be given the encouragement, the inspiration, and the desire to help themselves. And people want to help themselves if there is a framework in the community that makes it possible.

There must be, as Mr. Jacob mentioned, a preparatory process. We call it the "feeder program", where individuals learn basics of communication and computation, grooming, confidence, an understanding of America, a belief in the capability of the individual to improve himself. Sometimes it takes two months to do this, sometimes it takes six months, sometimes it takes a year. But if you put a person into that feeder process, when they come out, they literally are new individuals, and from there, into skills programs that meet the requirements of the job market, so they are training for jobs that actually exist.

No program should have job training for jobs that do not exist, and that is why it must be tied to the private sector. That is why the businesses of the community must become involved with these self-help, community-based organizations. And it is essential now because one out of every two jobs will not exist—I am a member of the Board of General Motors—one out of every two jobs in industrial enterprise will not exist ten years from now. New jobs will have taken their places.

So people have to be constantly trained and retrained for jobs throughout America, and certainly it is essential for people who today have no job skills, who cannot even get in the door.

The CHAIRMAN. Let me, if I could, inquire. We have seen many programs that have not worked—if I can play the devil's advocate—and we have seen many that have been very costly and have not worked. There have been studies that talk about the fact that it costs tens of thousands of dollars to create these jobs.

In your own study of those reports, in your own studies of Congressional efforts where we have failed? Why is this program different? Why do you believe this one can be successful, where the other ones have fallen short?

Reverend SULLIVAN. Because I think we are putting the resources at the wrong end.

The CHAIRMAN. In the other programs?

Reverend SULLIVAN. Yes, at the wrong end—instead of putting them into individual and human development, we have put them into other kinds of things—big equipment kinds of development, institutional development, infrastructure development—sometimes, pardon me, large salaries and administrative developments—when we have to find ways of putting the resources into the human development of the individual.

The CHAIRMAN. Okay. Mr. Jacob?

Mr. JACOB. Yes, I would concur with that, Senator, and I would also think that far too often, we do not deal with the preparatory work that is necessary to equip people to move into employment opportunities.

As Dr. Sullivan points out, the industries are changing so rapidly; what we have to do is to create an individual that is flexible to move with the change that is taking place in America.

And Senator, I am not so certain that those programs failed. I think that the programs did indeed make a significant contribution to raising the standard of living certainly in the communities in which we operate, in providing job opportunity. But I know that there is a great debate out in the public arena that social programs did not work. We disagree with that thesis in the first place, but assuming that it did not work, I think that if we look at the way those programs were structured in the past, they were focused on government running them; they were focused on government providing the basic outlet for the servicing of the instruments that we are trying to address. They did not utilize the resources that are available to them in the communities, the people who know most about the population that we are trying to serve.

I would argue, Mr. Chairman, that central to this process is to get people who understand the people and who are not intimidated by their poverty, who are willing to work with them where they are, to bring them to where they can be.

The CHAIRMAN. Mr. Yzaguirre you commented in your testimony about whether or not some of these programs reach the Hispanic community. What can you tell us about what the current situation is and whether you think we have to alter or change this program so that it will be available to those who need it within the Hispanic community as well as others?

Mr. YZAGUIRRE. Let me comment on JTPA as it stands now, to begin with.

The CHAIRMAN. Fine.

Mr. YZAGUIRRE. What we have seen is a gradual deterioration of participation by Hispanics, starting with the Manpower Training Aid Demonstration Act initiated by the Kennedy Administration 25 years ago. We had high participation there, and then we went to CETA, and we had lower participation, and now we are in JTPA and we have even lower participation.

Part of the reason for the decline in Hispanic participation under JTPA is because, as my colleagues have indicated, the program is geared to a series of so-called performance standards which have the effect of making sure that only those individuals who have the least need, that is, those who can be put into a job with a simple orientation, with very little expenditure—those are the only people who get served.

In terms of Hispanics we have the lowest educational attainment, we have the lowest per capita income, we are therefore a hard to search population therefore we are the population that the system is simply going to neglect.

The second problem is that our own infrastructure, our own delivery system in the Hispanic community, is not as developed as it should be. We have not gotten the kind of support at the national level for our kinds of organizations in order to have that service delivery infrastructure ready and able to serve our community.

Reverend SULLIVAN. May I add one other thing? Most of the programs which have such great costs, you have the programs established, and you do not have the people in them. You do not have the people in them because the people for whom we thought the programs were designed are not in the classes.

So you find empty classes, large institutional setups, with people all around, by the thousands, who need the training, who cannot come in because they cannot reach certain qualifications. We call it the "creaming" process. The people are creamed off who otherwise might be able to get a job on their own, because of the standards that are required for what they call job placement.

The CHAIRMAN. My time is up.

Senator Hatch.

Senator HATCH. Thank you, Senator Kennedy.

I want to congratulate each of you for your statements here today. We appreciate having them.

We need to reassess and reevaluate these programs. We see that JTPA is doing a lot of good things, but it is not doing everything, as you have pointed out. And we appreciate the work that each of your organizations is trying to do for those in poverty who want to work and really cannot.

So I just want to thank you for appearing and to tell you that we will try to come up with bipartisan legislation that will help to resolve these problems.

Thank you, Mr. Chairman.

The **Chairman**. Thank you, Senator Hatch.

Senator Pell.

Senator **Pell**. Thank you, Mr. **Chairman**.

I would like to touch upon that subject of "creaming" that you mentioned. How can that be prevented because, human nature being what it is and caseworkers wanting to show a good record, it is very hard to avoid. I was wondering what specific measure you thought could be taken.

Reverend **Sullivan**. As the condition is now, unless persons are capable of reaching a certain level of training capability, they are not admitted into the program. And the people who need the basics, the communications, the computation, the motivation for self-improvement, are automatically cut out of the programs because they cannot qualify at the very entry level of the projects.

So you find yourself with people in the programs—and we want them to be benefitted, too—who need it less by far than those who require it most.

Senator **Pell**. I understand that—but how do you avoid that? What is your specific thought?

Reverend **Sullivan**. By not drawing the line.

Senator **Pell**. Having no line at all. How is that done?

Reverend **Sullivan**. That is right, not drawing the line. It can be done, because your programs should be designed so that they can serve the broader needs of the community, those who need retraining—and many need retraining, particularly in these days—but those who need the basic training and education also. And the qualitative measurements should not be based on just that person who is able to get in and perhaps get a job immediately at the end, but those who need that basic preparation in order to get the training to get a job.

Mr. **Jacob**. Senator, may I just add to that, because I think it is significant the way this legislation is crafted that it addresses the potential long-term AFDC person and the new entrants into the AFDC process—the young woman who may have gotten pregnant and had to drop out of school. I think those are very critical elements that this legislation is grappling with, because they do indeed fundamentally begin to reach the population that you are talking about. It is the targeting of your resources.

You know, recruitment is like vacuuming a floor—where you stick your vacuum cleaner is where you are going to get the dust. So that if you target to get the hard-core, those who are least able to fend for themselves, if you target your resources to attract them, I think you will get them. If you let it run its course, you will get those who are most able to fend for themselves and who are best able to negotiate their own environment.

Senator **Pell**. The OIC Program, with which I am most familiar—there is one in my own State—I was just wondering, do they have the same cut-off, or does the program take anybody? My recollection is that in our State, we take all comers.

Reverend **Sullivan**. We take anyone, because we get resources from the State; we get alternative resources; we get help from the private sector. But if we had to rely only on JTPA as it is, that tremendous center in your State could not stay open, because the people that OIC is designated to serve cannot be admitted into those programs—the people who need it most.

And I might add to what Mr. Jacob said—this welfare reform concept that you are touching on here could help be a major part of the solution to this problem, because you are targeting resources to this group that needs this kind of assistance.

Senator **Pell**. Please educate me, how many centers like the one you have in Providence do you have across the country?

Reverend **Sullivan**. Well, we have OICs in 100 communities, but the one in Providence is a premiere OIC, Senator **Pell**. It is one of the best—I mean, except in Philadelphia, it is one of the best. [Laughter.]

Senator **Pell**. Help us keep it that way, and I admire your work very much.

Reverend **Sullivan**. Well, thank you very much. But it is that kind of center, with alternative support, that can feed the welfare recipient into those kinds of centers and those urban areas that we are reaching for. That is why Mr. Jacob and I, and La Raza, are here today, ourselves.

Senator **Pell**. Thank you very much.

The **Chairman**. Thank you, Senator.

Senator Metzenbaum.

Senator **Metzenbaum**. I am concerned about another group that is not presently on welfare; they are not on AFDC. They are young, black males, many of them functionally illiterate; 45 percent of the young blacks are unemployed. And I am desperately trying to find a solution as to what we do about them.

I believe they are a seething cauldron of unrest, but beyond that, I think they are a moral blight upon each of us, and I would like to know how to deal with it, because I am frank to tell you I do not know how to deal with it.

My Subcommittee will have a hearing on that subject very shortly, but having said that, I am not sure I have the answer. I would like to have your views.

Mr. **Jacob**. Thank you, Senator. We look forward to dialoguing with you at your hearing around that issue.

We share your concern. It is of a critical issue and nature of us in the black community, because we view that population as most critical to what happens—not only to black America, but what happens to America, given the data that reveals that the work force in the year 2000 is going to be predominantly female and non-white. So we know that this is basic to the economy of the nation.

I would say, Senator, that it will also require a targeting effort. It will not just happen. Too much neglect has taken place over the last few years with this population. And therefore it seems to me that we are going to have to start earlier.

The problem with dealing with this population is that we want to address them after they have gotten into a part of the environment that seems profitable to them and therefore unprofitable to participate in the kinds of programs that we are talking about.

Therefore I think that we are going to have to be more comprehensive in our approach and start earlier in addressing that population, so that we can deal with such things as, yes, value system, yes, better education for them, yes, the kinds of jobs that will allow them to stay in school rather than dropping out of school, yes, the kinds of opportunities that evidence that if they stay in school there is something positive in terms of an outcome.

And I think that if we begin to strategize in putting together a program that is designed to meet the needs of a population that is emerging in America and that is becoming more, in the terms of my colleague here, who I think coined the term, the "under-class". If we attack it at an earlier point, and if indeed we target those who are already in that process, we can have some impact on it in a positive way.

Senator **Metzenbaum**. I hope that you will have some more specifics at the time of our hearing, and I look forward to hearing from you.

Mr. **Jacob**. Yes, absolutely.

Senator **Metzenbaum**. Reverend Sullivan?

Reverend **Sullivan**. I would want to join Mr. Jacob in that respect when you have your hearing, so that our people can be present, also.

We know that you can train people in the basics. You can take a person at any age and, motivated for self-improvement, they can learn almost anything. But resources must be targeted in order for that to be accomplished.

A great deal of the success of the OIC is dealing with that kind of population that you speak of. And we have had extraordinary success, and we would like to tell you about it. But I think the revamping of education, public education in America, is necessary, for the sake of America, because if we keep bringing functional illiterates out of our educational systems into the streets, we are going to continue to compound the necessity for other kinds of alternative projects and programs of the kinds we are describing here, to reach persons in greater numbers in order to stem the tide that will be so destructive to the country.

Senator **Metzenbaum**. We will be very happy to hear from you at our hearing, Reverend Sullivan.

But I will say to both of you that we all have to be realists. One thing I like about the JEDI Program is that it is not cost—it is not a matter of saying here is $5 billion out of the Federal Treasury. That is a challenge to us, and I do not have to emphasize that. You are as well aware of it as I am.

I would hope that when you appear before our Committee, and we will be very happy to have you appear, Reverend Sullivan, and we have already spoken with you, Mr. Jacob—I would hope that we might reason together as to how we can solve that which I consider to be extremely critical and do it without just saying we are going to throw billions of dollars at it, because the billions of dollars we cannot get through Congress under these circumstances.

Reverend **Sullivan**. That is realism, and we realize that. One reason the Kennedy proposal and this concept of JEDI is attractive to us is because it is revenue-neutral in terms of resources. What you put in actually is less than the benefits that come out, because it is a saving on an ongoing basis that can benefit the nation. We realize that we have to be realistic about the situation and the budget condition of this country, and in that light, we desire to work with you.

Senator **Metzenbaum**. Thank you very much.

Thank you, Mr. Chairman.

The **Chairman**. Senator Simon and Senator Mikulski I see our Governor, Governor Dukakis, is out in the audience. We are glad to have you here, Governor. We know you have other places as well to go—we will not mention where those are today—and we will try and accommodate your program.

But I want to give our colleagues a chance to inquire of this panel.

Senator **Simon**. I can take a hint here, Mr. Chairman.

First, if I may just respond briefly to my colleague, Senator Metzenbaum. I think it is great to have a program like this that does not cost anything. But I think we have to face the reality if we are really going to move on the problems that you are talking about, this nation is going to have to spend some money. And what we also have to face is the cost of not spending that money.

I applaud Senator Kennedy and Senator Specter for this bill. I think it moves in the right direction. But you used the phrase, Reverend Sullivan, "social dynamite." I think it is out there, and I think we have to recognize that we are going to have to make a higher priority in this nation of putting people to work.

We overuse the word "competitive" these days. Part of making America competitive is to make America productive and to use our human resources more than we have, and that is going to take a few dollars in investment. But we seem to be willing to invest dollars in missiles and submarines and all kinds of other things. Let us take a few of those dollars and invest them in this human resource.

Now, I have one question on a comment that you made, Reverend Sullivan, that interested me, and I looked over the bill, and maybe the Chairman or someone on the staff can advise me on this.

You said that we ought to be using the community-based organizations in this. And it occurs to me that that really is a good point. If we are talking about savings, why shouldn't we pass them on not simply to the State, but if the State—Governor Dukakis is here—if the State of Massachusetts wants to hand to the Urban Leaguer, OIC, or La Raza, the name of John Smith or Jane Jones, there ought to be an ability for your organization to share and to have an incentive, frankly, and to be able to employ people who—because you understand the reality.

Now, as I read the bill, Mr. Chairman, we say, "The Governor shall distribute the remainder of the amount so reserved in each fiscal year to participating agencies, Private Industry Councils, and so forth."

There is no definition of "participating agencies." Is your sense, Mr. Chairman, that "participating agencies" might very well be The Urban League, or anyone like that?

The **Chairman**. Well, we believe that we would give maximum flexibility to the States in fashioning those eligible agencies. We do not try and restrict them. I think there may be circumstances where even the private sector may be involved.

Senator **Simon**. All right. I think if we can even clarify that further along that line, I think your idea is basically a sound one.

The **Chairman**. Fine.

Senator **Simon**. And then, finally, Mr. Jacob, I just want to applaud you. We have too easily said programs have failed. Some of them have not been as effective as they should have been, and some of them need to be improved. But an awful lot of programs did an awful lot of good that is not calculated, and just because we continue to have people on welfare does not mean that all these programs have failed.

Mr. **Jacob**. Absolutely, Senator.

Senator **Simon**. I am doing all kinds of talking, but if there are any comments the three of you have to my remarks, I would be happy to hear them.

Reverend **Sullivan**. I would like to add, Senator, I want to thank you. In the legislation, we talk about "may" use community-based organizations, the probability. If it can be strengthened somehow in the legislation so that organizations that have been demonstrated to be effective "shall" be or "will" be. We need some strengthening. Otherwise we will be left out when the resources even in the plan of JEDI come down. Believe me, efforts will be made in many areas to leave us out.

We have to have that insurance policy, the insurance policy to be able to serve. So give us that insurance policy. We need that in this legislation.

Mr. **Jacob**. And Senator, I would comment on your statement that America needs to face up to the reality that it is going to cost something to solve some of these problems.

I think it is important for us in our effort to be political realists to also understand, at least in my judgment, that our greatest threat is not from the Japanese. Our greatest threat is from the misuse of our human resources right here at home, and unless we are willing to make an investment to get people working in America, the external forces will only be inconsequential in terms of what will happen to America internally.

We have to remember that based on the data that is coming out from our government, that by the year 2000 there will be 67 million blacks, Hispanics and Asians alone in this country. That is going to be the work force we are going to be dealing with in the year 2000. And if we are dealing with people who have no work history, who have no training, who have no skills, we are going to be in deep trouble.

Senator **Simon**. I thank you.

Thank you, Mr. Chairman.

The **Chairman**. Thank you.

Senator Mikulski.

Senator **Mikulski**. Thank you, Mr. Chairman.

My question will deal with disincentives to participate in the program. But before I do, I would like to first of all thank the panel not only for their excellent testimony, but for their probably nearly 25 years of working in the community exactly on these programs.

I know it has been fashionable to either bash the programs or blame the poor for the fact that we continue to have structural unemployment rather than taking a look at the economic restructuring of jobs.

I am reminded of programs that I participated in to train people back in the late Sixties. We trained welfare mothers to participate in the garment industry only to see those jobs flee to the Pacific Rim. We trained welfare mothers to participate as welders in America's shipbuilding industry to be able to earn good livings in manufacturing-based jobs, only again to see those jobs go offshore.

I do not think that our programs fail; I think our trade policy failed in the loss of blue-collar manufacturing jobs where either women traditionally worked, or women had new opportunities for work.

And as we examine the disincentives for participating in training programs, I hope we take a look at our failed and flawed trade policies as part of that.

And I would like to thank you for your 20 years of keep on keeping on and your continued work.

Now I would like to also talk about some other public policy disincentives.

When you are trying to recruit people to participate in these programs, what disincentives do they run into that are government-imposed? For example, what disincentives from other government subsidies would they lose?

If you are trying to recruit someone who is now getting $6,000, say, on public welfare for a family of four, is in public housing, receives Medicaid, is participating in a school lunch program, only to move to a $7,000 job where she then loses everything—is this what you are finding out there on the streets—and what can we do about it?

Mr. **Jacob**. Absolutely, Senator. I think we do indeed have to have the kind of legislation that allows people to transition into jobs and retain the necessary benefits that they need and that they already have under the present system.

I think it is important for us to understand just some of the basic reasons why people cannot work. Health care is one of them. Child care is another one of them.

If we cannot put together a program that addresses the reality of the circumstances under which the people that we are talking about are confronted with, we will be here ten years from now, talking about the failed program.

The failure is that in addition to providing training, we have to understand some of the constraints that people are working under. It does not make sense for someone to take a $7,000 job and lose Medicare and lose public housing and lose what those other ancillary services are.

I think we have to also understand something about the marketplace that we are dealing with. We hear a lot of talk about the 3 million jobs that are being generated. We have to recognize that over 50 percent of those jobs are paying $7,000 and less each year, so obviously, a lot of those jobs are part-time jobs, and a lot of those jobs are low-pay jobs. The kind of training we are talking about, it seems to me, is the kind of training that makes people equipped to enter jobs that pay them at liveable wages, point one; and secondly, we are talking about a program that retains the kinds of services that enable people to take advantage of work opportunities.

Senator **Mikulski**. Mr. Chairman, in the interest of time I have no other questions. But as a new member, I do not know if the staff has prepared an analysis of exactly what benefits are lost and what kinds of transition we would provide—for example, the Medicaid, the public housing.

The **Chairman**. This is extraordinarily important. Many of those features are tied into the Finance Committee and what Senator Moynihan is working on. We have been working closely with Senator Moynihan and Senator Bentsen as they are fashioning their alterations and changes in the basic fundamental program. We are working closely with them, and we would invite other members of the Committee to join us as we are trying to work out a common approach that will move toward the benefit package and then move, with our program, toward the various education and employment and training programs, some health programs, that will complement what is happening in the Finance Committee to make a meaningful one. They have both of those dimensions, and we will work closely together to make some common sense. Even though they are two different committees, it is a common problem, and we are working closely together.

Reverend **Sullivan**. You have an opportunity, Senator, to move toward genuine welfare reform with this JEDI as an opener, and you are going to have to deal with the Social Security process, and you are going to have to find a way to transitionalize persons from welfare into independence.

In the original Specter legislation, we tried to find ways that persons could remain for a year with all their benefits while they are in training and then be transitioned into jobs while they are getting on-the-job, to be certain that the benefits they received were greater than when they were on welfare, as an incentive to get off welfare.

I want to say, too, though, that most people I know would prefer not to be on welfare. But a method has to be found in America to help them get off of it so that they can have the same benefits and incentives while they are on it.

Senator **Mikulski**. Mr. Chairman, I would just note that I think one of the biggest disincentives is the loss of Medicaid. When a family moves off of welfare, if they lose Medicaid and go into a minimum wage job, for which they often have no health insurance, this is probably one of the largest disincentives, because parents will do anything to make sure their kids have health care.

I know this is of very great interest to the Chair, and I hope we have an opportunity to explore it further.

The CHAIRMAN. I will just give the assurance to the Senator that participation in this program does not threaten the participant's Medicaid eligibility.

I want to thank you all very, very much. We will be working with you as we move ahead on the legislation.

We want to welcome my Governor. Mike Dukakis has been an extraordinary Governor in an exceptional State and has done a truly outstanding job in this whole area of job training and welfare reform.

We are very glad to have you here, Governor. We know that you have a good panel with you here. I will mention their names, and then I know you will want to introduce them in a more substantive way.

Dawn Lawson, a former E.T. Choices trainee, is a current employee at North Company; Carmen Colon, another trainee, is currently an employee of E.F. Industries; Ed Farris is Chief Executive Officer of E.F. Industries, and Richard McAloon is Vice President of Corporate Human Resources of Aetna Life Insurance Company.

Governor, we are glad to have you here and look forward to your testimony.

STATEMENT OF HON. MICHAEL DUKAKIS, GOVERNOR, COMMONWEALTH OF MASSACHUSETTS; DAWN LAWSON, FORMER E.T. CHOICES TRAINEE AND CURRENT EMPLOYEE OF NORTON CO., WORCESTER, MA; ED FARRIS, CHIEF EXECUTIVE OFFICER, E.F. INDUSTRIES, LAWRENCE, MA; CARMEN COLON, FORMER E.T. CHOICES TRAINEE AND CURRENT EMPLOYEE OF E.F. INDUSTRIES; AND RICHARD McALOON, VICE PRESIDENT OF CORPORATE HUMAN RESOURCES, AETNA LIFE AND CASUALTY, BOSTON, MA

Governor DUKAKIS. Thank you very much, Mr. Chairman. I apologize for the fact that we were late. Apparently, the air traffic controllers' computer at Logan had a nervous breakdown this morning, and we sat on the runway for about an hour, waiting for the thing to be reloaded so we could get a flight plan and come down here. So we do apologize.

Senator PELL. Next time, we have a wonderful airport, Green Airport, in Providence. [Laughter.]

Governor DUKAKIS. Mr. Chairman, what we need is high-speed rail in the Northeast Corridor, and nobody has been a greater supporter of that than you.

Senator PELL. I agree.

Governor DUKAKIS. Let me, Mr. Chairman and Senators, deliver a very brief statement. I know Commissioner Atkins has already addressed you, and you have the details on E.T. The real stars of this show are the people on my right and my left, and those are the folks that I know you want to talk to.

Senator Kennedy has already introduced them to you. Two of them are representatives of the over 8,000 employers that have hired E.T. graduates, and of course, the two women to my right and your left are two of our E.T. graduates, and they will tell you their own story and will be pleased to discuss it with you.

I thought in starting our panel, it might be helpful to you to simply get a sense from me in a very personal way as to where E.T. came from.

In my first term as Governor from 1975 to 1978, I found myself facing the same baffling paradox that other Governors in other States are facing. We went from 12 percent to nearly 5 percent unemployment in four years, added 250,000 new jobs to the State's employment rolls, and our welfare caseload went up. Our welfare caseload went up, and incidentally, as you know, Senator Simon, that is not unusual in many of our industrial States. It has been happening in the past four years.

Try as we could, we could not understand or deal with that problem. So like most Governors across this country, I had my fling with Workfare, and we tried to do it carefully, and we limited it just to two-parent families so there was not the child care problem, and it failed, as it has failed for every Governor that has tried it.

I was given an involuntary vacation. Governor King came in, and he tried his version of Workfare; it failed, it failed.

I would suggest to you that the reason it failed is precisely for the reasons that a number of you have already touched on this morning. The overwhelming majority of people on welfare in this country are single mothers with children. We have almost no men on welfare in my State, and I suspect that is true of most States. And unless we are going to ask those women to abandon their children and/or give up health benefits for those children when they go to work, then we are not going to succeed in helping them to lift themselves out of dependency and to become independent wage-earning, self-sufficient citizens.

So the basic concept behind E.T. was very simple. We have got to provide child care; we have got to provide good training for real jobs, and we have got to continue those medical benefits for at least some period of time after that welfare mother gets her job so that she and her children will be guaranteed some basic health security.

We have also, as you know, involved the business community and the nonprofit network that you have been discussing this morning very actively in our effort. Training is provided with the help of JTPA funds and the JTPA network through nonprofit training organizations. These organizations providing training under performance-based contracts that require them not only to train but to place their trainees in jobs. No placement, no payment. I know that you have incorporated that same basic principle, Mr. Chairman, in the JEDI bill.

And, as you know, we have had great success at placing our welfare recipients, now over 30,000 E.T. graduates who have been helped to move from welfare to work in the past little more than three years.

Now, it is not just that our caseload has gone down somewhat or that we have increased welfare benefits by 32 percent in four years—good though those may be. I think what we have demonstrated is that it is possible to crack the cycle of long-term dependency.

The number of families in Massachusetts on AFDC for five years or more has been cut 25 percent in the last three years. So nobody is going to tell me, Mr. Chairman, that there is a kind of lump of people at the bottom of the ladder who simply are either unwilling or unable to become wage-earning, self-sufficient citizens.

Not only that, but the average stay on welfare has been cut dramatically, and our two-parent families on welfare has been cut by about 50 percent.

Finally, as I think you know, our taxpayers are benefitting as well. We estimate that the combination of welfare benefits no longer being required to be paid and taxes paid by our E.T. graduates net after the cost of the program is either saving or adding revenue in excess of $100 million.

Now, these statistics are impressive, but they do not tell the whole story. For it is the human face of E.T. which so eloquently documents its success. And I can personally testify to the human dimension from personal conversations I have had with literally dozens and dozens of E.T. graduates, Dawn and Carmen being two of them, and what it means to them to transform their lives, the lives of their children and their futures and to become people with self-worth and self-esteem and people who have a future ahead of them.

I will never forget when we had our press conference early on in the program, and Dawn's son Brian, who is now ten, was there. And when I asked him if his life was different he said, "Yes. My Mom smiles a lot more." But that man has really, I think, himself had a life that has been transformed as a result of what Dawn has done, thanks to E.T., and she may want to talk to you about that in a minute.

Now, because it has proven so successful, we hope that we can expand it beyond the borders, Senator, of just welfare recipients, because we recognize that there are young males out there and young women who are not on welfare, but are floating around without education, without training, without a job.

People on general relief in Massachusetts are now enrolling in E.T. We have had some success at helping people who are homeless to take advantage of an E.T.-type program and to find employment as well as decent housing. More and more disabled and retarded citizens are benefitting from the same kind of approach. And we are going to go into our correctional institutions and begin to do E.T. in our correctional institutions for men and women.

Now let me conclude by responding to what I suspect will be your first question, and that is fundamentally this. "Dukakis, it is easy for you to say. You have got a 3.3 percent unemployment rate in Massachusetts." What happens in those states with much higher unemployment rates?

Well, the short answer is that we started E.T. when unemployment in Massachusetts was nearly 7.5 percent—higher than the national average. So the fact that a State has a high or higher unemployment rate should not be an excuse for not getting moving on this program.

But there is no question, as I think Senator Simon has eloquently documented, that if there are not any jobs out there, you cannot expect people to go to work. And that is a fundamental problem, and there is only one way to deal with that, and that is with the kind of aggressive economic development efforts that many Governors and many States are attempting, that many of you are helping us with, to rebuild our economies, to create good jobs at decent wages, and to make it possible for us to make E.T. work.

So in Massachusetts, in addition to E.T. we have, as Senator Kennedy knows, embarked on a very aggressive regional economic development strategy where we are focusing resources on those parts of our State that have been chronically depressed—and we have some; some of them, as you know, Senator Pell, bordering on Rhode Island—and Southeastern Massachusetts today, as well as your State, are coming back very strong, thanks to the kind of very strong focused effort that we are making in that region.

In any event that, from at least one individual's perspective, is the E.T. story.

Mr. Chairman, I want to thank you and your Committee for what you have done, for your cosponsorship of the Levin-Moynihan bill, and now for JEDI. I am very encouraged by what I see happening here and by the kind of commitment and attention and effort that is going into this.

And let me say before introducing our panelists that I for one do not believe that this is one of those things that ought to be just a Federal responsibility. I think this has to be a shared responsibility. I think the States have to be deeply involved, and I think you have a right to expect us to be deeply involved and to commit our resources as well as yours.

But if we can work together in a partnership which includes the business community, includes employers, includes nonprofit organizations, includes labor unions, I think we can do some things that a lot of us for a long time have wanted to do. I am just very encouraged, Mr. Chairman, by what you and this Committee are doing and by the kind of progress that I see here.

[The prepared statement of Governor Dukakis, responses to questions submitted by Senator Quayle, and a brief history of the panel follow:]

Testimony of Governor Michael S. Dukakis
before the
Senate Labor and Human Resources Committee
February 3rd, 1987

Chairman Kennedy, members of the Labor and Human Resources Committee, distinguished guests, thank you for this opportunity to testify on the issue of work and welfare -- an issue in which I am proud to say that the states of this nation have demonstrated real initiative and real leadership.

Let me begin by first introducing the people here with me today who will talk about their first-hand experiences with our ET Choices program: Dawn Lawson and Carmen Colon, graduates of our ET Choices program, and Edward Farris and Richard McAloon, who represent companies which have employed ET graduates. I am going to make my testimony brief today because I know you have already received testimony from our Welfare Commissioner, Chuck Atkins, on specifics of the program and to give the Committee more of an opportunity to hear the rest of our panel.

I thought it would be helpful if I gave you some idea of where ET came from and why we believe it has been so successful in Massachusetts and increasingly in other states which are using it as a model for their own programs.

In my first term as governor from 1975 through 1978, I found myself and my state confronting a strange paradox. As our unemployment rate dropped from nearly twelve percent to five percent over that four year period, the number of Massachusetts families on AFDC went up and, try as we might, we found this phenomenon impossible to understand or to reverse. So, like most governors, I had my own fling at workfare. And, like most Governors who tried workfare, I failed.

Retired involuntarily from the Governor's office in 1978, I spent the next four years trying to figure out why our efforts to help welfare recipients move from public assistance to permanent emplcyment failed. And I watched as a similar experiment by my successor also failed.

Why did I and Governor King fail ? And why have similar programs across the country achieved so little success ? Quite simply, because the overwhelming majority of families on welfare in this country are made up of single mothers with young children. And unless we want or expect those mothers to abandon their children for dead-end or make-work jobs which, incidentally make them ineligible for medicaid, such programs will be doomed to failure.

What makes ET different from what we tried before is that it finally recognized these fundamental truths. And the program we have designed and which has been so successful deals with them in a way that says to these mothers and children: we're serious; we want to help you lift yourselves out of the hopelessness of dependency; and we're prepared to provide day care, real training for real jobs, and continued medical benefits for up to a year after we find a job if your employer does not provide his other employees with health insurance.

We have also involved the private sector actively and enthusiastically in this effort. Training is provided, with the help of JTPA funds and the JTPA network, through non-profit training organizations. Those organizations provide the training under performance-based contracts that require them not only to train, but to place their traininees into jobs. No more training for non-existent jobs. If our contractor wants to get paid, it must place its students after it trains them.

The proof of the pudding is in the eating. Over 30,000 people on public assistance have obtained unsubsidized full or part-time jobs through ET, and the overwhelming majority of them have been in the private sector. Some eight thousand employers have hired ET graduates, and I have been told repeatedly by these employers how pleased they are with the skills and motivation of our ET'ers. I am very happy to have Ed and Richard here with me today to discuss this in more detail.

Of the people who go off of welfare through ET, 86% are still off of welfare one year later. Moreover, ET has proven that we can crack the cycle of long-term welfare dependency: Since the inception of the program, the number of participants on AFDC for five years or more has declined by 25%.

Finally, our taxpayers are benefitting from ET as well. We estimate that last year, after deducting the costs of the program, ET saved over $100 million in Federal and state welfare savings and new revenues from the taxes being paid by our ET graduates.

These statistics are impressive, but they do not tell the whole story. For it is the human face of ET which so eloquently documents its success. And I can personally testify to the human dimension from personal conversations I have had with dozens and dozens of ET graduates and their employers about their new found feelings of self-worth and self-esteem; the sense of independence that comes with earning a paycheck instead of receiving a welfare check. Perhaps the most simple and yet eloquent answer I received from Dawn's son, Brian, best says it all. When I asked him if life was different now that his mother was working, he said simply, "Oh yes, my mom smiles a lot more these days."

Now that ET has proven so successful, we intend to expand it beyond AFDC recipients. People on general relief in Massachusetts are now enrolling in ET; homeless people are moving through training programs based on the ET model; more and more disabled and retarded citizens are demonstrating that they, too, prefer employment and a paycheck to a lifetime of dependency, and we soon expect to introduce ET-type programs into our our correctional institutions as well.

Let me conclude by responding to what I suspect will be your first question, and that is: it's easy for you to say, Dukakis, your unemployment rate last month was 3.3 % . No wonder you're successful. What do we do in a state like West Virginia or Lousiana or Texas or Michigan where deep-seated, long-term economic problems are not providing the kinds of jobs that have made ET so successful.

My first answer is obvious. If there aren't any jobs out there, then we can't seriously expect people to leave welfare. But I can assure you that we didn't wait until unemployment was 3.3 % before we launched ET. In fact, it was over seven percent, and we had not even begun to experience the kind of extraordinary economic success that we are currently enjoying. So, ET can work even when unemployment is at or above the national average.

My second answer is equally obvious. A successful ET program must go hand in hand with an aggressive and effective economic development effort designed to revitalize those communities and regions of a state's economy that have fallen on hard times. And it is that combination -- a development strategy which pays attention to regions and communities of my state that have been chronically depressed for years plus an enlightened and effective employment and training policy for people on public assistance and the unemployed and underemployed that has made the difference in Massachusetts.

Thank you, Mr. Chairman and members of the committee, for this opportunity to speak to you today. I want to commend you, Senator Kennedy, for the strong and consistent leadership you have shown on the issue of work and welfare. This was demonstrated last year when you co-sponsored the "Work Opportunities and Retraining Compact" (WORC) and is shown again by your sponsorship of the "Jobs for Employable Dependent Individuals" (JEDI). The JEDI bill is an important step in the direction of work and welfare reform and builds on the experiences gained from our ET program. I look forward to working with the Congress over the coming months to achieve comprehensive work and welfare reform which provides real employment opportunities for our neediest citizens.

Let me now turn to Dawn, so that she can tell you about the difference ET has meant to her life.

QUESTIONS FOR GOVERNOR DUKAKIS SUBMITTED BY SENATOR DAN QUAYLE

1. Please give us your best estimate of the number of JEDI eligibles that have been served by the ET program in each of the years it has been in operation. How many of these would have qualified for the first year bonus? the second year bonus? the third year bonus?

ET has placed over 30,000 welfare recipients into unsubsidized full and part-time jobs in roughly three years of operation. Of these, we estimate that about one-third, or 10,000, meet JEDI eligibility criteria and therefore would eventually qualify for the first year JEDI bonus. This assumes that an ET placement counts even if it did not involve the state's JTPA agency.

We are unable to estimate the number who would have qualified for second and third year bonuses since we do not now track job status for all ET placements after one year.

2. What is your best estimate of the total bonus that your state would have received if JEDI had been in effect when the ET program started?

It is difficult to estimate the effect of JEDI on prior years of ET due to the fact that Massachusetts would not have received its first bonus payment until nearly two years after the program began. It often takes up to a year to train a person before placement, even before the "year of continuous employment" clock begins. However, once the bonuses started flowing, we estimate that, at a rate of 3,300 placements a year, JEDI first year bonuses would result in $7 million per year in additional funds to expand ET. Second and third year bonuses would add to this amount, but the figures are hard to estimate.

3. How many additional JEDI eligibles do you estimate that your state would have served if JEDI had been in effect when the ET program started?

With about $7 million in additional revenue each year starting in October, 1985, ET could have placed an additional 2,000 welfare recipients each year in FY 1986 and FY 1987. However, in the future, it is important to note that these funds fall short of replacing FFY1985 WIN funding levels for our state.

4. Do you think that additional Federal requirements or incentives are appropriate to enhance the participation of CBO's in the JTPA program in Massachusetts? If so, why do you think that these organizations are not being sufficiently used at present in your state?

Like all potential employment and training service providers in Massachusetts, CBO's have a full opportunity to submit competitive bids to provide appropriate services through ET. Well run, high quality CBO's are participating in our program, and we have no evidence that they are being underutilized.

Dawn Lawson,
Norton Company
Worcester, MA
ET Graduate

Dawn Lawson is a 29-year old Worcester resident who is the mother of one child. After being on welfare for seven years, she enrolled in a word processing program as part of Massachusetts' Employment and Training (ET) Choices program.

In December 1983, Ms. Lawson began working at Norton Company, a Fortune 500 manufacturing firm based in Worcester. She began in word processing and has recently been promoted to managing salaries and benefits for Norton Company's overseas employees. Today she earns nearly $18,000 per year.

Since she went off welfare, Ms. Lawson and her son Brian have moved out of public housing and taken vacations on Cape Cod. Ms. Lawson recently started her own word processing business on the side and is taking courses toward a college degree.

Edward Farris
Chief Executive Officer
EF Industries
Hawthorne, CA
Lawrence, MA

EF Industries is Lawrence Massachusetts' newest high technology company. Based in Hawthorne, California, EF Industries repairs computer circuit boards and supplies.

Edward Farris started the company six years ago in Hawthorne, California, but his roots are in Lawrence, where he was born. Mr. Farris expanded his company to Lawrence last summer and located the firm in a newly renovated mill building -- where his late father once worked.

Carmen Colon
Electronics Technician
EF Industries
ET Graduate
Lawrence, MA

A 24-year old mother of two children, Carmen Colon had been on welfare for four years when she first heard about the ET program. She had worked in a shoe factory for minimum wage before her children were born but she had no other skills and did not complete high school.

Ms. Colon had an interest in elecronics, however, so she enrolled in an ET funded training program in Lawrence.

Last summer, after completing the 17-week training program with a 95% average, Ms. Colon began working at EF Industries where she inspects and repairs broken computer components. Ms. Colon now earns more than twice what she received on welfare.

Richard McAloon
Vice President Corporate Human Resources
Aetna Life and Casualty Company
Hartford, CT
Fall River, MA

Formed in 1853, the Aetna employs some 40,000 people nationwide.

At its claims procesing facility in Fall River, the company employs 800 people.

Last year, the Fall River facility began using a local ET training program as a source of employees. To date, Aetna has hired five ET graduates at starting salaries of over $5.00 per hour in addition to full health and dental insurance, life insurance and tuition reimbursement.

Governor **Dukakis**. OK. Let me turn, if I can, to Dawn and ask her to tell you about her experience, and then I will turn to Ed Farris to take a look at this from the employer's side, and go back to Carmen, who works for Ed, and then to Dick McAloon, who will wrap up.

Dawn?

The **Chairman**. Dawn, we are delighted to have you here. We hope you will feel relaxed and tell us your story. You are among friends, and I hope you realize that your story as well as Carmen's can give a great sense of hope to an awful lot of people not only in our State but across the country. So we are interested in your story, and we appreciate very much your willingness to share it with us. We hope you will just relax and tell it as it is.

Ms. **Lawson**. OK. My name is Dawn Lawson, and I am 29. I have a 10-year-old son, Brian.

I was on welfare for almost seven years. When my son was ready to go to school, they told me I would have to try to find some type of work. So right before he started I took a job as a nurse's aide. I was not earning very much money, and I was still getting Medicaid and food stamps and housing. I was getting everything except for a check.

I was very unhappy in the job, and I went back to the welfare office, and they said there was a position open in a word processing course through the E.T. Program. It seemed so interesting, and the thing that I really was excited about was that you would have a marketable skill in a short time, and I could break away from welfare permanently.

I was in the training program for about three or four months, and Norton Company, which I work for now, was backing this program up. They asked me if I wanted to try out an internship program and to use the skills that I was learning. And after a short time, they asked me if I wanted to become a full-time employee there.

It has been really nice, because I worked as a word processor for three years, and last month I got promoted to an international salary specialist, which deals with handling all the overseas executives' pay and their taxes.

I mean, E.T. has opened doors for me that would never have been opened before. Even in just the last year, I started my own word processing business at home, and I do resumes. So many things have changed for me. I have moved out of public housing, and I have taken my son on trips. I have been able to put him into a decent school. I bought a car. Just so many things keep changing and getting better and better. And I do owe it to E.T. for that.

Thank you.

The **Chairman**. I understand that when we wanted to have you come down and testify, the company was reluctant to let you come down here because they needed you so much up there.

Mr. Farris?

Mr. **Farris**. Senator, thank you for inviting me, particularly Governor Dukakis.

I am about as private a private sector individual as you will find. My name is Edward Farris. I am CEO and owner of a company called E.F. Industries. We are primarily headquartered in Hawthorne, California. We have a facility in San Jose, and about the first of last year, decided that we would open a pilot facility in a town called Lawrence, Massachusetts.

As an aside, my father and mother emigrated from the old country in about 1916, and my dad worked as a janitor in the building I am in now, and more importantly, on the floor that we occupy. So there is a little bit of love and joy for the fact that I am able to come back to my home town.

I have had the privilege of seeing systems work on both coasts such as this. Although living for 20 years in Los Angeles, my roots are really back here.

Needless to say, I am here primarily for two reasons—one, to express the success with which we feel the program in Massachusetts has been entered into. We have not only Carmen with us, but another employee, and we expect that by the end of the year we will have the benefit of 10 or 20 people engaged in the E.T. Program.

But I would like to talk on the part of the private sector, on the part of industry. There was a question raised by Senator Mikulski as to have we ever calculated the costs that the employer would have to pay to equal those costs that a welfare recipient gives up by being employed. We estimate that to be about $9 an hour, because if you consider the fact that today when someone joins us, they lose Medicaid; they normally have to give up their housing, their babysitting services—and this varies in each State, California and here. Our minimum wage starting salary would have to be $9 an hour, and that takes into account the present tax structure.

We are unable to do that, and with the exception of maybe the Fortune 500—I am an entrepreneur of a small company. We cannot afford the training. We cannot afford to make up the benefits lost.

I will give you a good example of trying to find a janitor in California. We cannot; we have to go to a service. Although a number of people apply, we would have to pay $9 an hour, or about $19,000 per year, for a janitor in order to equate what they would lose in benefits.

That problem has to be solved. I would like you to know on behalf of myself—and I think I speak for a number of small companies—that we are quite willing to help in any way we can. We just need the opportunity to help and be able to still compete in the wage market.

Thank you all for having me.

The CHAIRMAN. Thank you very much.

Carmen, we are glad to have you here as well. Thank you for joining us. We look forward to your testimony.

Ms. COLON. Thank you.

I am Carmen Colon, and I was on welfare for four years. It was not easy.

I have two children, a four-year-old daughter named Abby, and a two-year-old son named Alex.

When you are on welfare, it seems that your children will always want things you cannot afford. We live in public housing, and that makes me feel very alone sometimes. I did not graduate from high school.

Before my children were born, I worked in a shoe factory. I made $3.25 per hour. Then I got sick, and I had to go into the hospital and leave my job. After my daughter was born, I had to go on welfare; I had no other choice.

Last year I received a flyer in the mail about the E.T. Program. I started in supported work as a file clerk at the IRS. I was not happy there. The job paid less than $5 per hour.

Then I heard about the E.T. training center. They had a program in electronics, which I was very interested in. I found out that with E.T., I could change my plans and get this training.

I passed the exam. I passed the course, which was excellent. I got a 95 percent average. Last summer I got a job at E.F. Industries, making $5.50 per hour. I have health benefits, too.

I have a very important job at E.F. Industries. As an electronics assembler, my duties include: incoming inspection, installing engineering changes, and final inspection. I love my job because it is very challenging, and I know I will have a chance to advance.

I had no idea I could do this, but I am glad I got the chance to try. Through E.T., I was able to get transportation back and forth to training. My children also receive day care at the Merrimac Valley Day Care. I am happy with my job. I know I have a future. I am proud of myself.

When I was asked to speak, I started to think about why I went to the E.T. Program. Well, I did it for my children and myself. I want to give them all I can and for them to have a good future.

Thank you.

Governor Dukakis. Mr. Chairman, I might add that this is Carmen's first visit to the nation's capital, so she is going to get a guided tour this afternoon before she goes back to Lawrence.

The Chairman. Good.

Governor Dukakis. Dick?

Mr. McAloon. Mr. Chairman, members of the Committee, my name is Dick McAloon, and I am Vice President of Human Resources for Aetna Life and Casualty.

Aetna is one of the nation's largest financial institutions. We are headquartered in Hartford, and we employ about 41,000 people across the United States. We do business in all 50 States, and we have offices in six Massachusetts cities including Fall River. It is about our Fall River office that I speak to you today.

In 1986, five graduates of E.T. accepted full-time positions in our Fall River office. Our reason for hiring these former recipients of public assistance was really very simple. We needed well-trained people who were willing to work hard. We got five such people through Governor Dukakis' program, and they were already trained for us.

They were trained by independent contractors and came into the employment market to compete with others for the jobs that they got.

While Aetna's record as a socially responsible corporation is well-known, the fact that these E.T. graduates had received public assistance did not really affect our decision to hire them.

The fact is they were good candidates for employment. They had marketable skills and I am sure were attractive to many other employers. However, we believed, based on their training and their desire to work, that they could make substantial contributions to our operations in Fall River, and we have not been proven wrong.

As Aetna employees, they are making meaningful contributions to our operations by providing data entry and other administrative support. They are receiving competitive pay and benefits and have the same potential for continued training, education and career development as their colleagues.

Aetna is proud to be part of the Education and Training Choices Program's success story. The program works well, I think, because of efforts on the part of three special parties: first, the State of Massachusetts, which has demonstrated a willingness to work with business and community organizations to develop creative solutions for some very difficult problems; second, the motivated people who participate in E.T. and prove that with the right training and skills it is possible to move away from public assistance; and finally, obviously, employers who are interested in hiring talented people who can and do make meaningful contributions to their operations.

Many of you, I hope, are aware of Aetna's advertising program that underscores our commitment to be the best in the business. We have to hire people who are talented and highly motivated to help us make good on that promise. The E.T. graduates who work for Aetna are in fact helping us become the best in the business. Like all of our employees in Fall River and across the country, they have worked hard to give our customers fast and efficient service.

In summary, we are pleased with the E.T. Program and very pleased that some of the E.T. graduates have chosen Aetna as their employer.

Thank you.

Governor **Dukakis**. Mr. Chairman, as you pointed out, I am running a little late on some commitments I have——

The **Chairman**. I will just say that this is an excellent panel. I would be interested, Governor, if you could tell us what kind of reaction you are getting from the other Governors, Republican and Democrat alike, in different parts of the country. Is there interest in this in other parts of the country?

Governor **Dukakis**. Mr. Chairman, I do not know of an issue that I have been involved in with the National Governors' Association in now nearly nine years that has more Governors on a genuinely bipartisan basis more involved in trying to seek a constructive solution.

Governor Mike Kastle of Delaware, a Republican, heads our Welfare Reform Task Force; Bill Clinton and I, Tom Kean of New Jersey, and others, are deeply involved in it.

We will have a series of recommendations for the mid-winter meeting of the National Governors' Association coming up later this month which I believe will get very strong if not unanimous support, and they are very consistent with the kinds of things you are doing through JEDI, the kinds of things that Senator Moynihan and Congressman Levin and others are talking about.

This is an issue which really has no ideological borders. I do not know of anyone in this country, whoever they happen to be, who does not believe very deeply that helping people to lift themselves out of poverty and dependency and become independent, wage-earning, self-sufficient citizens, is not a very good thing. And I think you are going to have some very strong support on these initiatives from the Governors who, to repeat again, believe as I do that we have every bit as much a responsibility to work on this problem as you do, and that only by working together are we going to make it happen.

The **Chairman**. Well, I think that is very encouraging, because if we are able to get this passed—and I believe we will—then it is not just the resources that we are retargeting, but it is going to be an invitation to the States to take action, and it is going to be that kind of cooperative attitude. I think part of the impetus for all this legislation is what is happening at the Governors' level in the States, and that is to a great extent a tribute to both your example and also to your leadership.

So we are doubly glad to have you here, both for the leadership you have provided on the program itself in our State and also for the work that is being done nationwide.

Governor **Dukakis**. I appreciate that, Mr. Chairman.

The **Chairman**. We will excuse you, and I will ask the rest of the panel if they would stay.

Governor **Dukakis**. Thank you, Mr. Chairman.

The **Chairman**. I just have really one question for our E.T. graduates, and then for the rest of the panel, and that is whether it is your belief that there are others who have been caught in the kind of welfare cycle that you have, who would like to take advantage of this kind of opportunity to gain useful and productive employment.

What is your own sense and feeling, having received Aid to Families with Dependent Children and other programs? Do you find that some of those whom you knew, who were also receiving those benefits, are now jealous of your success and would like to have similar opportunities to get the kind of training and education and job possibility at the end? What can you tell us about that, Dawn?

Ms. **Lawson**. Just out of a personal experience of my own, a friend of mine whose children were a few years older than my own son was, she was caught up in the Workfare Program, where she was forced to go out and work. She really was put in a bad position because she was forced into a position, and even to this day she is still receiving Medicaid and food stamps. She went off welfare two years before I did, and she still gets it. I have been off for three years already.

So I realize that my training is really what has done it for me, and now it is harder for her to get into it where she has already been established in the work force, and now she feels like she is kind of stuck. She does not really have the options that she would have had if it had happened to her a little later.

The **Chairman**. You mean with the other kinds of programs, the education and training programs, that have been the ingredients that have really made the difference, you believe, in terms of your own personal experience.

Ms. **Lawson**. Yes.

The **Chairman**. Rather than a program that just places someone into a particular slot but does not give them the other kind of training or other kinds of support, and now they are not able to move through the process as well as you have been able to move through; is that correct?

Ms. LAWSON. Yes.

The CHAIRMAN. Carmen, what can you tell us from your own experience? Do you think if this kind of program were available to others in a broader sense that people would take advantage of it?

Ms. COLON. Yes. I have a few friends who got into the program and have been successful

The CHAIRMAN. Do your friends want to do this kind of thing? When they find out about it, are they interested in pursuing this kind of opportunity?

Ms. COLON. My friends do not know English very well. So they have to get education in speaking English. And afterwards, I told them about the E.T. Program, and it was not so difficult, the training, and you get a lot of things out of it.

For me, it has been wonderful, because I did not graduate from high school, and if this program did not exist, I would still probably be at home, or looking for another low-income job in a factory.

I have advised a lot of people to get into this program so they would get something out of it.

The CHAIRMAN. Just a final question for both of you. Has it also made a difference in your children, do you think? Are they happier now, do you think?

What about it, Carmen?

Ms. COLON. Oh, yes.

The CHAIRMAN. Do you think your children now notice a difference?

Ms. COLON. Well, I have a four-year-old daughter, and she is into everything; she wants everything, and I have been giving her a lot lately. She gets more now than she had then, and I feel good, and I am glad she is always happy.

The CHAIRMAN. Good. Dawn, what about you?

Ms. LAWSON. Yes. My son, Brian, was always very shy and almost withdrawn from other people. He was just shy. I suppose he did not learn where self-esteem comes from.

When I started to work, all of a sudden, there was a big change for him. He started getting involved in all the sports at school, and he wanted to get involved in art classes and karate. So now, I cannot afford to keep him with everything he wants to do now. [Laughter.]

But I do as much for him as I can. Every year, he started off with good marks, and as the year went on, he withdrew and his marks went down. This year, his marks went up even higher, to like all straight A's and B's this term, where he was more B's last term. And he is just going up, and his teacher cannot believe how much of a change she sees in him just from semester to semester.

I have noticed a big change. He is so much happier, so much more outgoing, and he is so friendly. It is a real big change in him.

The CHAIRMAN. Let me ask you, Mr. Farris and Mr. McAloon, does this make sense from a business point of view? Let us get that question out of the way first. I would rather talk about the human development and I am sure you would, as well. But just for the record, let us hear you out on that issue. Does it make sense?

Mr. **Farris**. Certainly, Senator. Does it make sense? Yes, it makes a lot of sense. Not only does it make sense, Senator, but it is essential that the combination of city, local, Federal and industry find a way to properly bring into the work force those people who today we call unemployable.

Our experience has been that every individual we have employed, either from programs or off the streets, have a real desire to be successful. They want to work. I think that is a basic ingredient in all of the people.

We do not always give them the opportunity to succeed in their work. We as industry probably do not invest enough in training them; we are not patient enough in bringing them up to schedule. But again, we are governed by the margins in the products which we ship, so there is only so much we can endure.

In summary, we have had experience on both coasts. We are very impressed with the Massachusetts program, although in California we do have a program. Governor Dukmajian has worked very hard to put a program in place.

Everyone who has come to us has had a desire, a highly motivated attitude toward making a name and a job for himself and his family.

We have had tremendous success with Carmen because of her positive attitude, because of her skills levels, which are quite high. And we hope that your program will be able to tie the four ingredients together in some meaningful way, because I truly believe that there is opportunity for those people today whom we consider unemployable. They have the physical ability to do the job, and all we have to do is endow in them and put in them the confidence that they can do the job. And that is important, because so many of them feel they never can work; they are not confident. So how do you get someone who lacks confidence to be highly motivated?

So I want to encourage you to move ahead with this, and I pledge for myself all the support I give to the program.

The **Chairman**. Thank you.

Mr. McAloon, I would be interested in two things—what is your experience with the E.T. trainees as to their enthusiasm and their performance, and also whether you think this has a national application. Aetna is a national organization, one of our preeminent companies, and I would be interested in whether you think it has national application.

Mr. **McAloon**. On the first part of that, I think there is no doubt that the five people—I have met each one of them individually and I have talked with their supervisors—they are as turned on about their jobs as anybody I have seen. They tell similar stories to the ones that we just heard. They are excited. They are enthusiastic. Their supervisors think they are great. So you cannot say enough positive about the impact that we have had, anyway, from this program.

Whether it has national implications or not, I think the answer to that is yes. I think the key to it is perhaps to start at the end, and that is to find the jobs that are going to be filled so that you can define the skills that are needed so you can structure the training program to get you there. As long as there is that kind of cooperative effort among the community organizations, the States and the companies, I think there is a very definite application.

The CHAIRMAN. Well, that is certainly a feature which is incorporated in the program. We have seen the importance of that feature particularly in the JTPA. There are some other areas that need attention, but that certainly has been a feature which I think has been very, very important and has made a very important difference.

Senator Simon?

Senator SIMON. Just one question to Ms. Lawson and Ms. Colon. What is it like to be unemployed? Ms. Lawson, it was seven years for you; four years for you, Ms. Colon. What does it do to you?

Ms. LAWSON. I think most people when they first go on, they think, "This is only temporary." But then, you are on it for a while, and you start looking around to see what is out there for work, and you start to realize that it is not so temporary. And your whole life is kind of like an open book. They can look into your bank accounts—nothing is private to you. If you go to the doctor, they can call the doctor to see what is wrong. And it starts to work on your self-esteem, and you lose the motivation that you had.

When I left high school I was fairly motivated, but I got pregnant right after I got out of school. It works on the motivation very quickly. You go down, and you get treated like you are a number. You do not get treated with any respect. Even going shopping, you hand them your food stamps, and they are trying to see what you have for groceries, and you get dirty looks if you even buy a box of cookies.

So eventually, it gets to a point where you just do not care anymore, and you just want to get anything you can. You just give up, and you do not feel that you will ever be able to get out of the situation you are in.

Senator SIMON. I thank you.

Ms. Colon, do you want to comment?

Ms. COLON. When I was on welfare, I did not like to be going to the office to renew, because like Dawn said, they will be going through your files, they know everything about you. That does not give you any privacy.

Like Dawn said about what they give you, it is not enough to support—for myself, I have two children, and what they gave me for the month, I would have to figure out what can I not buy, and what can I buy.

I did not have any skills then, and I did not like being on welfare.

Senator SIMON. Let me ask you this, Ms. Colon. You mentioned you are not a high school graduate. Are you trying to get your high school equivalency now, or is the program encouraging you to do that?

Ms. COLON. My boss told me I could finish my education and go into college, so I can advance more in what I am doing, which is very good.

Senator SIMON. And is that simply your boss, or does the program actually encourage you to do that?

Ms. COLON. Yes, it did—the program.

Senator **Simon**. Let me commend the two of you and all your counterparts in Massachusetts, as well as the Governor for initiating this program. To move ahead in this area, we are going to have to have private sector/public sector cooperation. And I particularly like your story, Mr. Farris, that you are now the CEO in the building where your father was once the janitor. That is what America is all about, and we are very proud of you.

Mr. **Farris**. Thank you.

Senator **Simon**. I simply commend both of you and the whole panel.

Thank you, Mr. Chairman.

The **Chairman**. I want to thank all of you very much. I think you make the case as well and as effectively as it possibly could be made from every point of view.

I wish we had more of our colleagues here, but they will hear the story—not as well and as eloquently as stated by you here, but they certainly will from us.

We want to thank you all very much for joining with us, and we look forward to working with you.

Mr. **Farris**. It will be our pleasure. Thank you.

The **Chairman**. Thank you very much.

Governor Kunin, we are delighted to have you here today. We appreciate very much your willingness to come down here and speak to this very important issue.

As you know, this is a program that is being fashioned in the Congress and Senate, but for its real success, it is going to depend upon implementation in the States. And I think, knowing your leadership in this area of concern, that we can benefit very much from your comments about this legislation and also about its application to States around the country. It is important not only to a State like Massachusetts, which has primarily an industrial and service-based industry, but to those States with more rural communities, more agriculture, as well as enterprising groups of newer industries.

We look forward to your testimony, and we thank you very much for coming and appreciate your patience.

STATEMENT OF HON. MADELEINE M. KUNIN, GOVERNOR, STATE OF VERMONT

Governor **Kunin**. Thank you very much, Senator, and thank you, Senator Simon and members of the Committee.

I really greatly appreciate this opportunity to share with you the Vermont experience, which is much newer than Massachusetts', but as you point out, shows what can happen in a rural State.

I would also like to commend you and the Committee for the innovative legislation that you are proposing in the JEDI bill. I think it is really on-track with what a lot of Governors are exploring in order to really address what we believe to be the welfare problem of this country.

Let me just tell you briefly about Vermont and then address more specifically your bill.

Traditionally, the States have dealt with changing the welfare population through the WIN program. What we found in Vermont was that WIN was geared primarily toward men and only for parents with children over the age of six, and really did not have the kind of support services that people need, not only to simply get off welfare, but to stay off welfare.

What we are recognizing in the States is that there is an opportunity not simply to change the statistics for the short-term, but to have long-term employment and break the cycle of poverty.

Reach-Up is a program that has been in effect in the State of Vermont only since last summer, but already we are seeing some good results. We are emphasizing child care, we are emphasizing long-term commitment to this population of mostly single parents and children; we are focusing on them. We are emphasizing training. Each person receives a counselor and the kind of personal assistance that is necessary in order to break the poverty cycle.

I think what we are recognizing is that the welfare population has really dramatically changed in recent years in this country. It is not strongly affected by economic cycles. In Vermont we enjoy a very strong economy at the moment, and yet we are continuing to see a welfare caseload that is not reduced to the extent that you would like.

The harsh reality is that it is not people who are unemployed, but people who have never been employed and who will not be employable until they are given the skills and the support to be able to do that.

It is also a change in attitude. Instead of saying we are going to be punitive about this, and put the pressure on you to leave the welfare system, we are going to be realistic and give you the tools to leave the welfare system.

That, I think, is a significant change that is happening in this country that your bill very well recognizes–by creating an incentive system for the States to say yes, we are going to make a long-term commitment. We found, as I am sure you found around the country and as a recent Congressional report just pointed out, that if you make a short-term commitment, people are right back on in a few months' time, and you have not significantly changed their lives. This is what we are talking about, is giving people a chance—like the two women I was pleased to hear—giving them a chance to make really significant changes in their own lives, for their families.

I think we also recognize that there are very disturbing statistics that, in this time of affluence, the children living in poverty in this country are increasing. And obviously, that statistic is going to continue to be disturbing if we do not give parents earning power to help these families live in a decent and fair setting.

So in programs such as Reach-Up, our efforts do that. JEDI, I think, is an excellent effort to do that. The results orientation—we have got to prove that we have kept people off the welfare system for a period of time before we get a reward—I think that is excellent. Your recognition of the support services to make that possible is very, very helpful to us.

My only question would be about the up-front funds necessary to get going. We may need some further assistance in that regard.

I was also pleased that you are including single parents and parents under the age of 25, and people who have never finished their high school education, because that is a group that we target. And while we are working to get the long-term unemployed off the welfare rolls, we also feel if you can break the pattern early, as this young woman indicated, at first you are disturbed and you think it is temporary, but before you know it, it becomes a pattern of life. So we are focusing heavily on young, single mothers, giving them the tools of self-esteem to be fully self-supporting.

In conclusion, I applaud this Committee's effort. I think you are seeing once again that the American dream need not be considered old-fashioned; that there is a new generation of Americans who do need the hope and the support to get into the mainstream of society.

Thank you.

[The prepared statement of Governor Kunin and responses to questions submitted by Senator Quayle follow:]

STATEMENT BY GOV. MADELEINE M. KUNIN
BEFORE U. S. SENATE LABOR AND HUMAN RESOURCES COMMITTEE
FEBRUARY 3, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I WANT TO THANK YOU FOR INVITING ME TO TESTIFY BEFORE YOU TODAY ON THE SUBJECT OF WELFARE REFORM. MANY OTHER SPEAKERS HAVE SPOKEN ABOUT THE PROBLEMS OF WELFARE IN THESE TIMES OF BUDGET CUTS. TODAY, MR. CHAIRMAN, BEFORE DISCUSSING THE BILLS WHICH HAVE BEEN PROPOSED,I WANT TO TALK TO YOU ABOUT A PROGRAM IN VERMONT WHICH I FEEL GETS AT THE HEART OF GOOD WELFARE REFORM. THE PROGRAM IS CALLED REACH-UP, AND IT IS AIMED AT PROVIDING ECONOMIC SELF-SUFFICIENCY FOR OUR STATE'S POOR FAMILIES. FOR THE MOST PART WOMEN IN THESE FAMILIES HAVE A MYRIAD OF BARRIERS TO OVERCOME TO OBTAIN JOBS WHICH GIVE THEM THE INDEPENDENCE WHICH THEY DESPERATELY SEEK.

MY REMARKS TODAY, MR. CHAIRMAN, WILL DEAL WITH THE PHILOSOPHY BEHIND THE REACH-UP PROGRAM IN VERMONT, A DESCRIPTION OF HOW THE PROGRAM WORKS, AND FINALLY, SOME EARLY STATISTICS ABOUT ITS OPERATION. PERMIT ME TO ADDRESS THE PHILOSOPHY BEHIND THE REACH-UP PROGRAM.

PRIOR TO THE REACH-UP PROGRAM, THE BASIC GOVERNMENTAL EFFORT TO HELP THE POOR GET OFF WELFARE WAS THE WORK INCENTIVE PROGRAM.

IN VERMONT AND ELSEWHERE, IT IS KNOWN AS WIN. IN EVALUATING WIN, I SOON DISCOVERED THAT WIN HAD SEVERE LIMITATIONS IN VERMONT. IN THE FIRST PLACE, IT IGNORED A BASIC DEMOGRAPHIC FACT — THAT IS, THAT MOST OF THE PEOPLE IN POVERTY ARE FEMALES. SECONDLY, WIN WAS A MANDATORY PROGRAM FOR WELFARE MOTHERS AS SOON AS THEIR YOUNGEST CHILD TURNED SIX. THIRD, WIN WAS AIMED AT ABLE-BODIED MEN ON WELFARE, AND THE GOAL WAS TO GIVE MEN A FULL TIME JOB; ANY JOB, TO GET THE FAMILY OFF WELFARE.

MOST OF THE TIME, THE WIN PROGRAM WAS EVALUATED BY THE NUMBER OF JOB PLACEMENTS IT GENERATED AND THIS FACT, IN ITSELF, IGNORED ONE OF THE BASIC PROBLEMS OF GETTING PEOPLE OFF WELFARE: PLACEMENT EVALUATIONS DON'T ASSIST THE PEOPLE WITH THE GREATEST SOCIAL AND ECONOMIC PROBLEMS -- THE PEOPLE WHO NEED OUR HELP MOST. OUR REACH-UP PROGRAM, WHICH STARTED IN THE MIDDLE OF LAST SUMMER, IS A CAREFULLY THOUGHT OUT INTERVENTION PROGRAM DESIGNED TO ENABLE FAMILIES TO LEAVE THE WELFARE ROLLS SO THEY CAN LEAD SELF-SUPPORTING AND PRODUCTIVE LIVES — NOT ONLY FOR A MONTH OR A YEAR, BUT FOR THE LONG-TERM. I BELIEVE WE NEED NOT BE PUNITIVE IN OUR EFFORTS TO ASSIST WELFARE FAMILIES. BUT WE MUST BE REALISTIC IN RECOGNIZING THAT SPECIFIC FORMS OF ASSISTANCE, IN TODAY'S WORLD OF WORK, ARE NECESSARY TO ACHIEVE SUCCESS. ONLY THROUGH SUCH A PRACTICAL AND PATIENT APPROACH, CAN WE EMPOWER POOR FAMILIES TO HOLD MEANINGFUL JOBS WHICH LEAD TO TRUE ECONOMIC SELF-SUFFICIENCY.

LET ME TELL YOU THE DETAILS OF THIS NEW VERMONT INITIATIVE. OUR ADMINISTRATORS HAVE LONG KNOWN THAT THE BIGGEST MYTH OF ALL IS THAT WELFARE RECIPIENTS DO NOT WANT TO WORK; IN FACT, THE OPPOSITE IS TRUE. THE MAJOR HURDLE OUR PROGRAM NEEDS TO OVERCOME IS ENABLING A PERSON ON WEFLARE TO SEE HER OR HIS VALUE AS A PERSON. ALMOST UNIVERSALLY, WELFARE FAMILIES HAVE HAD THEIR SELF-ESTEEM SHATTERED BY THE SYSTEM ITSELF. REACH-UP IS AN ATTEMPT TO HELP THEM OVERCOME THIS. IT IS TARGETTED FOR THE PEOPLE MOST IN NEED WHO ARE ON THE AID TO NEEDY FAMILIES WITH CHILDREN ROLLS.

REACH-UP IS AN OVERALL APPROACH TO PROVIDE GOOD, MEANINGFUL JOBS TO THE POOR. THE GOALS ARE NOT ONLY JOB PLACEMENT, BUT ALSO LONG-TERM ECONOMIC SELF-SUFFICIENCY FOR SINGLE PARENTS. WE BELIEVE THAT REACH-UP WILL BECOME A MEANS TO END THE CYCLE OF POVERTY IN THE GREEN MOUNTAIN STATE. THREE DEPARTMENTS -- EMPLOYMENT AND TRAINING, SOCIAL WELFARE, AND EDUCATION -- ARE WORKING COOPERATIVELY TO AVOID THE COSTLY GOVERNMENT TURF BATTLES AND TARGET THE FULLEST RANGE OF SERVICES AND OPPORTUNITIES TO REACH-UP PARTICIPANTS.

REACH-UP IS NOT LIMITED TO SHORT-TERM GOALS. THEREFORE, PERFORMANCE DATA FROM THE FIRST SIX MONTHS OF REACH-UP DOES NOT YET SHOW IMMEDIATE INCREASES IN VERMONT'S ANFC ENTERED EMPLOYMENT RATE. FUNDING OF THIS PROGRAM, APPROXIMATELY $3.5 MILLION, COMES

FROM PROGRAMS ALREADY IN EXISTENCE, SUCH AS THOSE FUNDED THROUGH JTPA, WAGNER-PEYSER, CARL PERKINS VOCATIONAL ACT AND WIN, FROM THE DEPARTMENTS OF WELFARE, EMPLOYMENT AND TRAINING, AND EDUCATION. AS AN ADDITIONAL BOOST TO THE SUCCESS OF REACH-UP, I HAVE ASKED THE VERMONT LEGISLATURE THIS YEAR FOR ADDITIONAL STATE GENERAL FUNDS TO HELP INCREASE THE STRENGTH OF THE PROGRAM.

PART OF THE SUCCESS OF REACH-UP DEPENDS ON THE PARTICIPANTS GETTING WELL PAYING JOBS. I HAVE ESTABLISHED INCENTIVES WITH THE VERMONT EMPLOYER COMMUNTIY TO GET SUCH JOBS AS SECRETARY, TEACHER'S AIDE, BOOKKEEPER, CIVIL ENGINEERING STUDENT, AND PRINTER. EMPLOYERS HAVE BEEN ASKED TO PROVIDE ON-THE-JOB TRAINING OR AN APPRENTICESHIP, AND THE REACH-UP PROGRAM WILL PAY THEM UP TO 50 PERCENT OF A TRAINEE'S SALARY FOR UP TO THE FIRST SIX MONTHS OF EMPLOYMENT. COUNSELORS WORK WITH THE PARTICIPANTS TO ENSURE THAT THEIR SKILLS AND APTITUDES ARE MATCHED WITH THE PROSPECTIVE JOBS.

THERE ARE OTHER DETAILS OF THE REACH-UP PROGRAM THAT I WOULD LIKE TO SHARE WITH YOU, MR. CHAIRMAN. EFFORTS ARE MADE TO ENHANCE BASIC SKILLS THROUGH COMPUTER-ASSISTED INSTRUCTION. THERE ARE COMPREHENSIVE APPROACHES TO GET WOMEN JOBS IN THE TRADES, NON-TRADITIONAL WORK AREAS THAT PROMISE BETTER WAGES SUCH AS CARPENTRY AND WELDING. THE SINGLE PARENT OPPORTUNITY PROGRAM COMPONENT ENCOURAGES MOTHERS WITH CHILDREN UNDER SIX TO BECOME

EMPLOYABLE, ASSISTS THEM IN EARNING THEIR HIGH SCHOOL DIPLOMAS, AND IN FORMING GOALS FOR AN INDEPENDENT FUTURE. A PARTICIPANT IN REACH-UP WORKS WITH A COUNSELOR WHO HELPS SET CAREER GOALS, DETERMINES EMPLOYABILITY NEEDS, OFFERS TECHNIQUES IN JOB HUNTING, AND PROVIDES INTERVIEW PRACTICE. THERE ARE ALSO DIRECT REFERRALS TO SPECIFIC JOBS.

IN ADDITION TO THE REFERRALS, OTHER RESOURCES OF THE PROGRAM INCLUDE CLASSROOM TRAINING WITH TUITION ASSISTANCE, AND COMMUNITY WORK EXPERIENCE AS A BEGINNING STEP TOWARD JOB OPPORTUNITIES IN THE PRIVATE SECTOR.

GREATER EMPHASIS IS GIVEN TO CHILD CARE NEEDS OF SINGLE PARENTS, PARTICULARLY IN THE CONTRACTS AWARDED TO COMMUNITY-BASED ORGANIZATIONS. MONEY IS PROVIDED FOR TRANSPORTATION AND UNIFORMS, AND ASSISTANCE IS GIVEN TO OBTAIN A DRIVER'S LICENSE.

IN SUMMARY, IF A SINGLE PARENT NEEDS EDUCATION, CHILDCARE, OR TIME TO DECIDE, SHE WILL GET IT UNDER THE REACH-UP PROGRAM. FINALLY, WHEN A PERSON GETS A FULL TIME JOB, SHE IS AWARDED A $100 CHECK TO COVER ANY NECESSARY EXPENSES.

WE HAVE A FEW STATISTICS. THE MOST SIGNIFICANT ONE TO ME, PRIMARILY BECAUSE THE PROGRAM IS IN THE EARLY STAGES, IS THE NUMBER OF INDIVIDUALS IN TRAINING UNDER WIN IN THE LAST HALF OF

1985, COMPARED TO THE NUMBERS IN TRAINING UNDER REACH-UP FOR THE LAST HALF OF 1986. IT SHOWS AN INCREASE OF 21 PERCENT, OR FROM 550 TO 664 PEOPLE IN TRAINING. THE NUMBERS ALSO SHOW, FOR THE SAME PERIOD, A 6.5 PERCENT INCREASE IN THE AVERAGE WAGE AT ENTRY INTO EMPLOYMENT, A 27 PERCENT INCREASE IN THE NUMBER OF WELFARE RECIPIENTS ACTIVELY PARTICPATING IN EMPLOYMENT AND TRAINING PROGRAMS AND MOST SIGNIFICANTLY, A 50 PERCENT REDUCTION IN THE NUMBER OF WELFARE CLIENTS RECYCLING THROUGH THE TRAINING AND PLACEMENT SYSTEM.

THESE ARE EARLY INDICATORS BUT THEY ARE ENCOURAGING: WE ARE ON THE RIGHT TRACK. I BELIEVE THE REACH-UP PROGRAM HAS PROVIDED NEW HOPE AND OPPORTUNITY FOR POOR FAMILIES IN VERMONT. WITH SUFFICIENT SUPPORT THE REACH-UP IMPACT WILL GROW IN THE COMING YEAR.

YOU HAVE ASKED ME TO COMMENT ON * BILL NOW BEFORE YOUR COMMITTEE: THE JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS ACT (JEDI). IN LIGHT OF VERMONT'S EXPERIENCE IN REACH-UP, I WILL FIRST ADDRESS THE JEDI ACT, AN INNOVATIVE AND RESULTS ORIENTED PROPOSAL DESIGNED TO LET STATES SHARE IN THE FEDERAL SAVINGS THAT ARE PRODUCED THROUGH EFFECTIVE WORK TRAINING AND CHILD SUPPORT TRAINING PROGRAMS.

- I AGREE THAT THE MOST SIZEABLE SAVINGS WILL COME BY EFFECTIVELY DEALING WITH THE LONG-TERM WELFARE FAMILY; THOSE ON ASSISTANCE CONTINUOUSLY FOR TWO YEARS OR MORE. BUT IN VERMONT WE DO NOT LIMIT OUR PROGRAM EFFORTS ONLY TO THESE FAMILIES. SOME OF OUR WORK WITH YOUNG SINGLE PARENTS IS MORE EFFECTIVE IN PREVENTING LONG-TERM DEPENDENCY ON WELFARE. THEREFORE I WELCOME THE FACT THAT YOU HAVE ADDED TO THE BILL THAT THE BONUS PROGRAM WILL COVER PARENTS WHO ARE UNDER 20 YEARS OLD OR WHO HAVE HAD NO SECONDARY EDUCATION. I ASSUME THAT THE JEDI PROGRAM SHARES MY VISION THAT WE MUST LOOK REALISTICALLY AT OUR CHANGING WELFARE POPULATION AND ITS TRUE NEEDS. THE MAJORITY OF FAMILIES ARE NOT ON WELFARE BECAUSE THEY HAVE LOST THEIR EARNING POWER. THEY NEVER HAD IT.

- THEREFORE I SUPPORT BASING THE BONUS SIMPLY ON THE ANNUAL NUMBER OF HIGH RISK WELFARE RECIPIENTS WHO ENTERED EMPLOYMENT AND STAYED THERE.

- THROUGH TRACKING SYSTEMS IN THE DEPARTMENT OF SOCIAL WEFLARE AND THE USE OF QUARTERLY WAGE DATA IN THE DEPARTMENT OF EMPLOYMENT AND TRAINING, VERMONT COULD DOCUMENT THE CONTINUED EMPLOYMENT FOR THESE INDIVIDUALS OVER THE THREE YEAR BONUS PERIOD, AND THUS ESTABLISH THE STATE'S ENTITLEMENT UNDER JEDI.

- OUR EMPLOYMENT EFFORTS ON BEHALF OF INDIVIDUALS WHO WOULD BE ELIGIBLE FOR JEDI BONUSES HAVE INVOLVED THE DEPARTMENTS OF EMPLOYMENT AND TRAINING -- WHICH INCLUDES EMPLOYMENT SERVICE ACTIVITIES, WIN AND ACCESS TO TRAINING FUNDS FROM JTPA -- THE DEPARTMENT OF SOCIAL WELFARE AND THE DEPARTMENT OF EDUCATION. THEREFORE I COMMEND YOUR LEGISLATION WHICH PERMITS GOVERNORS TO DISTRIBUTE BONUS FUNDS TO STATE AGENCIES, SERVICE DELIVERY AREAS, AND COMMUNITY BASED ORGANIZATIONS WHO CONTRIBUTE TO THE PROGRAM, NOT JUST TO THE JTPA TRAINING SYSTEM.

- YOUR PROPOSAL TO DEDICATE 15% OF THE BONUS REVENUES FOR ADMINISTRATION WILL ENHANCE STATES' ABILITIES TO FULFILL THE GOALS OF THE JEDI ACT. I AM CONFIDENT THAT YOU WILL ALSO CONSIDER A MODEST INCENTIVE FUND TO PROVIDE STATES UPFRONT RESOURCES.

- THROUGH CHILD CARE, JOB TRAINING AND SKILL BUILDING (SUCH AS DESIGNED IN JEDI) WE CAN GIVE THESE LOW INCOME FAMILIES ECONOMIC SELF SUFFICIENCY FOR THE FIRST TIME. THAT IS HOW THE CYCLE OF POVERTY CANNOT ONLY BE INTERRUPTED BUT PERMANENTLY BROKEN.

- FINALLY THE JEDI ACT WILL ENABLE MANY STATES TO FOLLOW THE SUCCESS OF VERMONT'S REACH-UP AND MASSACHUSETTS' ET CHOICES

PROGRAMS. IT IS CONSISTENT WITH MY STRONG BELIEF THAT PEOPLE ON WELFARE WANT TO WORK AND THAT FEDERAL AND STATE ASSISTANCE MUST BE TARGETTED TO REMOVE BARRIERS TO THE WORKPLACE. THE JEDI INITIATIVE ALSO EMPHASIZES PREVENTION. I AND MANY OTHER GOVERNORS BELIEVE THAT A PREVENTATIVE APPROACH IS MORE COST EFFECTIVE AND HUMANE THAN THE MORE RESTRICTIVE PROPOSALS COMING FROM THE ADMINISTRATION. THE NATIONAL GOVERNORS' ASSOCIATION INITIATIVE IS, AS YOU KNOW, A MASSIVE EFFORT TO BREAK DOWN THE BARRIERS, AND TIES IN WELL WITH THE JEDI PROVISIONS WHICH PROVIDE INCENTIVES TO THE STATES TO TAKE THE NECESSARY ACTIONS.

FINALLY, I SUPPORT THE USE OF THE PERFORMANCE STANDARDS SPECIFIED IN BOTH OF THESE BILLS -- THEY ACKNOWLEDGE POSITIVELY THE STEPS THAT MUST BE TAKEN BY GOVERNMENT TO EMPOWER DEPENDENT FAMILIES WITH CHILDREN AND GET THEM OUT OF THE CYCLE OF POVERTY.

THANK YOU, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR PERMITTING ME TO TESTIFY BEFORE YOU TODAY.

STATE OF VERMONT
RESPONSES TO QUESTIONS FROM
SENATE LABOR AND HUMAN RESOURCES COMMITTEE

Governor Madeleine M. Kunin testified before the U.S. Senate Labor and Human Resources Committee on February 3, 1987. The following questions were asked by committee members after the Governor had testified. Because the Vermont Reach Up program has only been in operation since July 1, 1986, the estimates contained in our responses are very rough. As the program matures, more precise figures could be provided.

Q1. Please give us the best estimate of the number of JEDI eligibles that have been served in your state by JTPA, WIN or other programs in each of the last three years. How many would qualify for a bonus?

Response: Our best estimate of the number of JEDI eligibles served in each of the last three years in Vermont follows; we have also indicated the total number of recipients that have entered employment and remained employed after a 30 day follow up:

	Total # recipients employed at follow up	Welfare 2 years or more	Under 25 No High School	Potential JEDI Qualified for Bonus
FY 85:	1000	270	120	390
FY 86:	1030	278	120	398
FY 87:	1200	324	120	444

Q2. What is your best estimate of the total bonuses that would have been received by your state over last three years if JEDI had been in place?

Response: To calculate an estimate of bonuses Vermont would have received, we developed an average bonus base by summing the average ANFC grant plus cash value of food stamps and average medicaid payment for a family of three (Vermont's average case size). The total would equal $717.58/month or $8,610.96/year. A 75% bonus would provide $6,458.22 back to the state for each JEDI eligible case. Assuming continued employment into second and third years for each JEDI qualified for a bonus, Vermont would receive as a maximum the bonus amounts shown below:

Year	# JEDI Qualified for bonus	Bonus Total
FY 85	390	$2,518,698
FY 86	788	$4,249,501
FY 87	1,232	$5,420,591
	TOTAL:	$12,188,790

Q3. How many additional JEDI eligibles do you estimate would have been served if JEDI had been in effect the last three years?

Response: Clearly, the bonus would provide sufficient incentive for the State to direct more employment and training resources to individuals on welfare two years or more. With the REACH UP program in place now, (which enhances coordination of JTPA funds with WIN, Title IV-A from welfare, and our employment service) we are hoping to achieve employment for approximately 16% of the entire caseload of recipients on welfare, two years or longer. If the JEDI incentive payments had been in place during FY 85 and FY 86, we might have been able to match our FY 87 performance, and achieved employment for 108 additional recipients on welfare two years or longer.

We are hopeful that an incentive program like JEDI would help direct more resources to individuals on welfare two years or more. This group generally requires greater resources because they have more barriers to employment. Many existing employment and training programs are placement driven, and tend to serve those individuals more ready for employment than defined in JEDI.

Q4. Do you think additional federal requirements or incentives are appropriate to enhance the participation of community-based organizations in the JTPA program in Vermont. If so, why do you think these organizations are not being sufficiently used at present in your state?

Response: We are involving community-based organizations in our employment and training programs to the extent that funds allow. In REACH UP, these organizations provide preemployment services and one-on-one support to welfare recipients that our social service staff in WIN cannot provide -- given current federal funding restrictions. Incentives that would support the network of state and CBO services already established in Reach Up would be extremely helpful in light of the budget cutbacks experienced across employment and training and human service programs.

Prepared by the Vermont Department of Employment and Training (2/10/87).

The CHAIRMAN. Thank you very much.

Governor, could you tell us a little bit about your Reach-Up program, how you incorporate the training, and the outreach aspects of it?

Governor KUNIN. Yes. About a year ago, I asked people in my administration to design such a program that gave welfare recipients the support necessary to permanently stay off welfare, if that is possible. And with the new administration, we had a new Department of Employment and Training Commissioner, a new Social Welfare Commissioner, a new Secretary of the Agency of Human Services, and some of the turf barriers that sometimes exist in a bureaucracy, even in the small State of Vermont, were broken down. They were very eager to work together in a compatible way.

They also worked with the Department of Education, so it was Education, Employment and Training, and Social Welfare that helped design the Reach-Up Program.

We invested quite heavily in advertising, with television, with brochures, with posters—getting people interested in the program.

The whole focus of placement in jobs is not a minimum wage job, but if at all possible; to place people in jobs that pay higher wages.

I cannot after six months give you a real evaluation of the program because it is obviously too soon. But we are seeing some modest returns, even at this early stage. One is that there is about a 27 percent increase in the number of welfare recipients in the caseload who are now in employment and training programs. And we are seeing, based on a fairly small number, a 50 percent decrease in people who are recycling back into the welfare system.

I have to couch that and say it is early, but I really believe we are on the right track. I feel very confident that the kinds of stories you heard from Massachusetts, you will also hear from Vermont, and that you can hear from any State in this country if we put the resources in the right place, and if we are patient, and if we do not simply go after immediate short-term results, but recognize that we have to make long-term change. And in Vermont, I think that is beginning to happen.

The CHAIRMAN. One of the features that is in your program is the counseling concept where, if the person becomes in the program, they counsel others to try and get them to involve themselves.

Could you tell us a little bit about that concept?

Governor KUNIN. Yes. The concept is that the client has a lot of personal attention. And the pressure is not simply, "Get a job." But the pressure is, "What are you good at? How do you build up your skills, and how can we help you?" For some people, they will counsel to go into a program at the local business college; they will be counseled to take it one step at a time—adult literacy program. But there is not the kind of pressure that used to be under the WIN program and that used to be under other programs that simply, "We want to move you up and out."

The personal attention seems to be very, very important because, as you may understand from all your previous experience in this area, often these clients have many problems, and it is not just one step that is going to enable them to put their lives together, and the counseling is a great assistance in that regard.

The CHAIRMAN. Are you using the community-based organizations as well? Have you found that they are the most effective in terms of reaching your objective?

Governor KUNIN. We are using just about everything we can use. We have enlisted community-based organizations. I think that is a good part of any legislation, to have an incentive but not a mandate.

I am pleased that I gather there were some changes in Senator Specter's bill, and the two bills, I gather, are now combined. I think the States should be allowed as much flexibility as possible in designing exactly how they do their own programs.

We, for example, have put a lot of money into child care payments. That is an area of the budget that I have recommended a major increase in. I think things such as child care, transportation and working with community organizations is important.

The CHAIRMAN. Do you find that child care and health benefits are an important ingredient in terms of the concerns?

Governor KUNIN. Absolutely. We extend health benefits under this program. And I would surmise that if there is one disincentive to leave the welfare system, it is the loss of health benefits, and that is extremely important.

We also give people a $100 check once they get a full-time job, and that check can be used for whatever they wish to use it for, whether it is clothes, or it is transportation or whatever.

I thought maybe there would be some outcry about that, but there really has not been. I think that the public is more understanding of the whole cycle of welfare and what has to be done to interrupt it. And this bonus is kind of a carrot, and it also is a realistic bonus that you may need when you get a job and suddenly need the new wardrobe and everything else that goes with it.

So we have really looked at, step-by-step, what are the barriers to leaving the system, and then kind of worked backwards to erode and tear down those barriers wherever possible. And under the present system, often those barriers are simply insurmountable. And I think our role as government has to be to pave that way whenever possible.

The CHAIRMAN. Finally, as to the business community, what kind of reaction have you had from them?

Governor KUNIN. The program has not been operating long enough to have the kind of experience that Massachusetts has had. We are going to be working very closely with the business community.

There is a low unemployment rate in the State of Vermont at the present time, and there is a labor shortage in many areas of the State. So this is an excellent time to create a new inflow or a new source of labor that otherwise would be untapped.

So I believe if we have the right communication with the business community that they will be receptive. They are certainly eager to have a well-trained labor force, and they are having a hard time getting that in certain areas.

The CHAIRMAN. Senator Simon?

Senator SIMON. Just very briefly, Governor, first let me say I have heard that the Governor of Vermont is one of the outstanding Governors of this nation, and your testimony simply confirms that.

On your program, I like particularly the counseling and the $100 check, which is something I do not know that any other State has tried, but it is a very practical kind of a gesture and carrot. I like the idea.

The testimony of the two women from Massachusetts, Dawn Lawson in response to my question said, "You get to the point where you just give up." And there are just a lot of people in our society who have given up, in Vermont, in Maine, in Illinois and everywhere else.

And then finally, Mr. Chairman, the Governor in her opening remarks talked about the additional children on poverty. In the last six years, we have added three million children to the poverty rolls of this country. There have to be ways to change that. We are not doing what we should be doing for the future.

So I commend you, and am pleased to be part of this hearing.

Thank you, Mr. Chairman.

Governor KUNIN. Thank you.

The CHAIRMAN. Thank you very much, Governor, for your excellent testimony.

I hope you will let us know as we go through the year ways that we can work with the Governors as well. There seems to be broad interest with the Governors in this program. We want to work closely with them. We are very interested in ways that we can fashion legislation to make it more attractive and acceptable to the different groups. But clearly, one of those important elements in the success of this program is interesting the Governors in this, and you could be very helpful to us in that.

Governor KUNIN. Thank you very much, Senator.

The CHAIRMAN. Thank you very much for taking the time.

[The prepared statement of Senator Leahy and responses of Reverend Sullivan, Mr. Jocob, and Mr. Yzaguirre, to questions submitted by Senator Quayle follow:]

Statement by Senator Patrick Leahy
Submitted for the Hearing Record of the
Senate Labor and Human Resources Committee

February 3, 1987

I am pleased to have this opportunity to take part in a debate that will undoubtedly occupy much of the Nation's attention over the next few years--welfare reform.

Few would disagree that our welfare system is in need of repair. The President says he will send to Congress his plan for revamping welfare programs. This Committee and others in both the House and the Senate are holding hearings, engaging the best and the brightest minds in the debate.

In Vermont, our best and brightest are already digging in, and making welfare reform work. In an unprecedented show of cooperation among state government agencies, Vermont's Departments of Employment and Training, Social Welfare, and Education, in conjunction with Governor Madeleine Kunin, pooled their resources and crafted a new approach to serving Vermont's poor. The culmination of their efforts is a program called Reach-Up. It combines aggressive outreach with across-the-board support--including child care, transportation, education and job training--to offer real choices to people who desperately want self-sufficiency and work.

It is perhaps no coincidence that this new approach to welfare, which recognizes the special needs of women in poverty, is the work of four women.

Reach-Up has been in place for less than a year, but early indicators show it is working. Governor Kunin is here today to talk about Reach-Up. I support her in this new initiative and hope that Vermont's example will be of help to other states trying to bring economic independence and self-worth to every individual.

QUESTION

SENATOR QUAYLE: Are you concerned that the incentives to serve welfare mothers that are contained in the JEDI bill will reduce service to males and particularly to minority drop-out males? If not, why not?

MR. JACOB: For the approximately 26 States that have chosen to implement the AFDC-UP option, this should not be an issue as the designated head of household can be either male or female, thus allowing for males to be included in the targeted JEDI population. However, for the remaining States who have not taken the AFDC-UP option, the incentive issue you've raised could potentially be problematic. The National Urban League has been concerned that the long term unemployed, including especially minority males with limited work experience and education, have not benefited from job training and placement services that should be already available to them under current JTPA law. For this reason, we had supported their inclusion for targeted outreach and services under the Opportunities for Employment Preparation Act of 1987 which was re-introduced in the 100th Congress by Senator Specter and Senator Dodd. Including this special population in S.280 begins to address your concern for those States who do not implement the AFDC-UP program. We would further recommend that the Job Training Partnership Act be additionally strengthened to insure that this targeted population be reached, whether through JEDI or through other JTPA titles such as Title III for dislocated workers. We stand ready to work with you in devising a creative approach for reaching, training, and placing minority and other males who have multiple barriers to employment and who have been persistently neglected under our current job training institutions.

OICs of America, Inc., 100 West Coulter Street, Philadelphia, Pa. 19144-3496 • (215) 951-2200

REV. LEON H. SULLIVAN
Founder & Chairman of the Board

ELTON JOLLY
President

February 8, 1987

The Honorable Dan Quayle
United States Senator
SH-524 Hart Senate
 Office Building
Washington, DC 20510

Dear Senator Quayle:

This letter is the response to the question which Bob Guttman gave to me at the February 3, 1987 Hearing conducted by the Senate Labor and Human Resources Committee. In response to your question I have spoken with Reverend Leon Sullivan and our response follows.

You asked if OIC was concerned that JEDI incentives will reduce service to males, particularly to minority dropout males. I am concerned today that JTPA is underserving youth in general, and minority youth, in particular. The youth and dropout goals of the Jobs Training Partnership Act are not being met in many service delivery areas. While I understand the logic of your questions, more money for welfare recipients means less money for minority youth dropouts. I believe this group will be underserved until there is a mandated program to serve them. JEDI will offer a special incentive to states which train and place welfare recipients. This is not and should not be an either, or situation. My information tells me that JTPA is creaming, serving the people who are easiest to place. If we can redirect funds which are helping people to get jobs without JTPA assistance, we can serve both welfare recipients and dropouts.

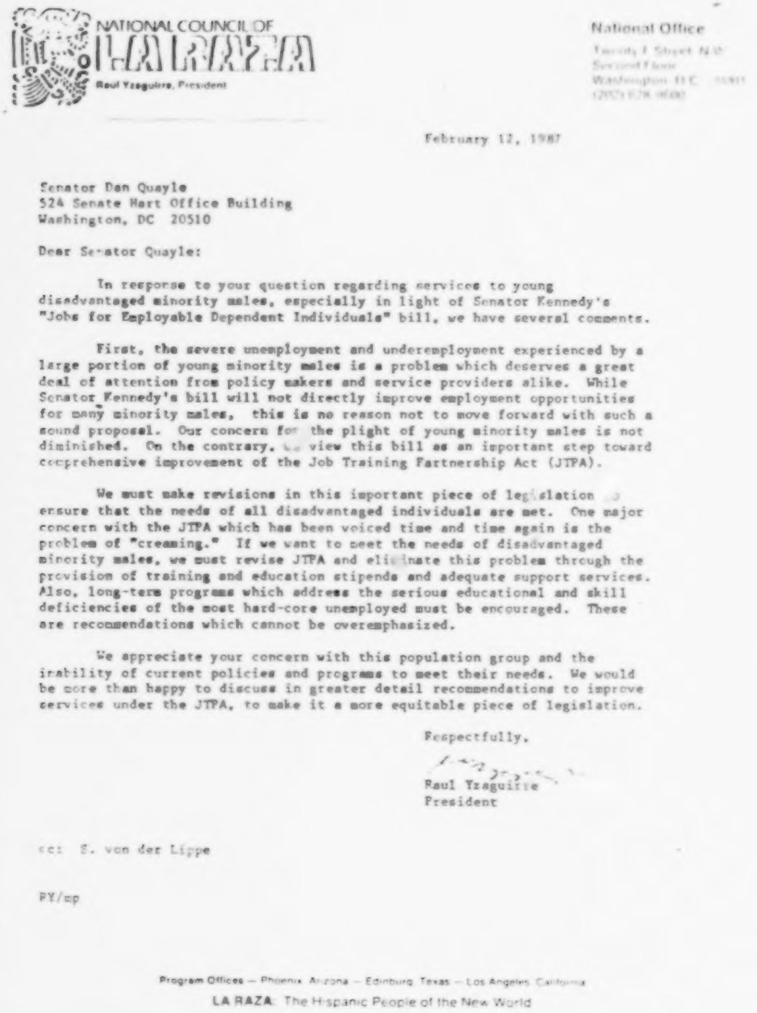
OIC is supporting JEDI because it targets services to people who have a desperate need. We would also support legislation which targetted services to dropouts. OIC also supports legislative and administrative initiatives which enable increased utility of community based organizations like OIC. We have always been a mechanism for targetting services to those most in need.

I hope that this response addresses your concerns. If you have further questions or want to extend this dialogue, please let me know. I have met with Bob Guttman to discuss JEDI and OIC staff will continue those discussions. OIC appreciates your support of employment and training legislation. We need your continued support.

Sincerely,

Elton Jolly
President and Chief
Executive Officer

ac



NATIONAL COUNCIL OF
LA RAZA
Raul Yzaguirre, President

National Office
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February 12, 1987

Senator Dan Quayle
524 Senate Hart Office Building
Washington, DC 20510

Dear Senator Quayle:

In response to your question regarding services to young disadvantaged minority males, especially in light of Senator Kennedy's "Jobs for Employable Dependent Individuals" bill, we have several comments.

First, the severe unemployment and underemployment experienced by a large portion of young minority males is a problem which deserves a great deal of attention from policy makers and service providers alike. While Senator Kennedy's bill will not directly improve employment opportunities for many minority males, this is no reason not to move forward with such a sound proposal. Our concern for the plight of young minority males is not diminished. On the contrary, we view this bill as an important step toward comprehensive improvement of the Job Training Partnership Act (JTPA).

We must make revisions in this important piece of legislation to ensure that the needs of all disadvantaged individuals are met. One major concern with the JTPA which has been voiced time and time again is the problem of "creaming." If we want to meet the needs of disadvantaged minority males, we must revise JTPA and eliminate this problem through the provision of training and education stipends and adequate support services. Also, long-term programs which address the serious educational and skill deficiencies of the most hard-core unemployed must be encouraged. These are recommendations which cannot be overemphasized.

We appreciate your concern with this population group and the inability of current policies and programs to meet their needs. We would be more than happy to discuss in greater detail recommendations to improve services under the JTPA, to make it a more equitable piece of legislation.

Respectfully,

Raul Yzaguirre
President

cc: S. von der Lippe

RY/mp

Program Offices — Phoenix Arizona — Edinburg Texas — Los Angeles California
LA RAZA: The Hispanic People of the New World

The **Chairman**. The Committee stands in recess.

[Whereupon, at 12:15 p.m., the Committee was adjourned.]

WORK AND WELFARE

WEDNESDAY, FEBRUARY 4, 1987

U.S. Senate,
Committee on Labor and Human Resources,
Washington, DC.

The committee met, pursuant to notice, at 2:30 p.m. in room 430 of the Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman, of the committee) presiding.

Present: Senators Kennedy, Simon, Quayle, and Humphrey.

OPENING STATEMENT OF SENATOR KENNEDY

The Chairman. The committee will come to order. We are going to be faced with the override on the Clean Water Act shortly, so our afternoon is going to be interrupted, unfortunately.

Ten million Americans, seven million of them children, currently receive Aid to Families with Dependent Children. Yesterday, I announced the introduction of legislation that would target federal, state and private job training efforts toward the neediest of this group. The legislation is called JEDI, Jobs for Employable Dependent Individuals, and I intend to make it one of the top priorities for this committee in this Congress.

We are all aware of the many diverse proposals for welfare reform circulating at this time. Let me emphasize that I intend to work closely with may collegagues in the Senate to enact a responsible, compassionate and cost-conscious welfare reform package as soon as possible. My commitment, on behalf of this committee, is to assure that Americans who want to work have the opportunity to do so.

We spend nine billion dollars each year on Aid to Families with Dependent Children. Our spending on employment and training for AFDC recipients is less than 4% of the amount. These numbers mock our national commitment to provide work to the able-bodied. To make matters worse, the President has asked up to eliminate the WIN program, a major source of funding for such training.

The Job Training Partnership Act should be a principal source of the type of employment training we lack, and the JEDI legislation would make this possible. The members of this committee have worked together to strengthen the Act to bring its benefits to those who need it most.

Today we will hear testimony from those people who represent the agencies most closely involved with JTPA employment training. I appreciate their willingness to share their expertise with the committee, and I look forward to their testimony.

We will go right to our witnesses. Our first witness today is John Horsley, president of the National Association of Counties, and commissioner of Kitsap County, Port Orchard, Washington.

We are glad to have you.

STATEMENT OF JOHN HORSLEY, PRESIDENT, NATIONAL ASSOCIATION OF COUNTIES, AND COMMISSIONER OF KITSAP COUNTY, PORT ORCHARD, WA

Mr. **Horsley**. Senator.

The **Chairman**. We will print everything in the record, and ask you to summarize your statement, if you would.

Mr. **Horsley**. Be happy to. First of all, we want to commend you and the Committee for taking the initiative to put forward this proposal. We strongly support the concept of incentive bonuses to areas that provide extended job training and moving people off of dependence on the welfare system, AFDC, and into productive jobs.

Our welfare reform task force, which I appointed about three months ago, will take up your bill this weekend when they meet, and our formal steering committee will take it up and adopt a position. I expect to see them supportive of your concept when we meet here in March.

So we are not in a position to formally endorse the specifics at this time, but I think the indications that our staff has received from talking with our policymakers around the country show great interest and support.

As you are aware, I am from Washington state and counties in my particular state do not directly deliver welfare; what we do do is administer, throughout our state, the Job Training Partnership Act. And we've had I think an excellent record in moving people off of the dependence on welfare and into productive jobs. Twenty-five percent of our people that are enrolled in the JTPA program are on welfare, and we are pleased to report that we are placing 78 percent of those, mostly women, into long-term productive jobs.

I want to read the letter of one success story that we had, Diana Cook, a young lady in her early thirties who got married when she was 18, had two children, then her husband left her, and for the last ten years was mired as a long-term welfare client. Two years ago our Job Training Partnership Act program recruited her to enter our women-in-transition program. She went through a program that worked on her self-image, gave her the confidence to try to enter the job force; she took a job with the city of Bremerton working in their municipal court system and today is fully employed.

Let me read the letter that she wrote to her supervisor through our Job Training Partnership Act program. It says:

> Dear Barbara: Without your loving support and the women-in-transition program, I would still be on welfare and feeling like only half a person. I started work today as a court clerk I. The raise is nice, but the best part is now I have medical coverage for my kids. There were lots of mornings that all I wanted to do was go back to bed and sleep, but you were there telling me that I could make it. I'm not all the way there yet, but now I think I have the background needed to keep me off welfare for good.

A little later, when I was having lunch with Diana, she remarked that the biggest payoff for her wasn't the job, wasn't what she was gaining on the job, but about two weeks after she had taken this position with the city she overheard her 8-year-old son remark to a friend that "My mother makes her money the old-fashioned way: she earns it?"

What I see you trying to do through your incentive program is encourage states and local service delivery areas to do a more aggressive job of moving people who are mired in the long-term dependence on welfare into productive jobs, and that's an economic proposition.

But there is also a real value in the self-respect and pride, and the human potential, that America is passing up. Counties nationwide--I think I've heard it said that 70 percent of the welfare in this county is delivered from county offices. So many counties throughout our country, as is indicated in my formal testimony, directly contribute to general assistance, general relief—I was just talking with Melissa Scanlon who's here from L.A. County in California—an immense load on the local tax base. So you will see county officials throughout America intensely interested in your program and in making an impact on the welfare case loads.

I'll pass up two recent issues of our county news, one December 15th, "Welfare Reform Task Force Named by NACO President?" We had your governor, Mike Dukakis, down to speak to us at our employment training conference in Florida. And here's Governor Dukakis's picture on the front of County News.

This is probably one of our top three priorities this year, and we look forward to working with you and the Committee to move your proposal through the process to adoption.

Another proposal that we are excited about in Washington state is an initiative that our Governor Gardner put forward just about two months ago, and it's called his family independence program. And I've got a description of that program included in here for the record which elaborates what we are trying to do there, and we are hopeful that the Senate and the House are receptive to that five-year demonstration program that our governor is proposing, because it is very consistent with the incentive that you are trying to build into your initiative, as well as the longstanding policy of our National Association of Counties to move away from the stagnation of the AFDC program into a more dynamic situation where we help people when they are in need and move them on, give them the incentives to rejoin the labor force and feel good about themselves.

I've got some specific comments that we've received from our policymakers around the country on your proposals, and I wanted to pass those on in summary.

First of all, I've already indicated that we are strongly supportive of the concept of providing areas an incentive to do a more aggressive job of training people and moving them off of welfare and into productive jobs. We are pleased that the device you are using is indeed an incentive and not a mandate or a sanction. We think that the inducement of this is going to be very attractive to our people, and will be looked upon favorably by those of us who are on the service delivery end of the program.

One of the things that we would encourage you to resist is pressure to mandate who we contract through in the delivery of job training services. We think those that are in the best position to judge who are the best contractors available, the most sensitive to the market place, are the private industry councils and the local agencies who know their own market place rather than some wisdom back here on the Potomac.

One final thing that we've noted is that the incentive of the payback for those states that embark on this program is targeted to the states, and we'd like you to take a look at perhaps channeling those incentives down to the actual service delivery agents that provide the service. And we think that if those who are doing the job, delivering the improvement in the placements, are probably the area that will have even a greater incentive if they can see a payoff directly from the incentive program.

I was down in L.A. just last week, and Hollywood is still alive and well. I understand they celebrated their hundredth anniversary. And I'm glad to see there's a little pizzazz on the staff work in your Committee. Mike's got ET up there in Massachusetts, and now you've got "Return of the JEDI" right here in Washington, D.C. I'm glad to see there's a little sex appeal in these proposals when you are putting them forward.

I'll wrap up there, Senator. Our staff is here to follow up with your people, our task force is coming into town this weekend, our steering committee will be here in March. And I think NACO will be in a position to give this exciting proposal the endorsement that it richly deserves.

[The prepared statement of Mr. Horsley follows:]

NATIONAL
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STATEMENT OF

THE HONORABLE JOHN HORSLEY
COMMISSIONER, KITSAP COUNTY, WASHINGTON
BOARD OF COMMISSIONERS
AND
PRESIDENT, NATIONAL ASSOCIATION OF COUNTIES

BEFORE THE
SENATE LABOR AND HUMAN RESOURCES COMMITTEE
ON BEHALF OF
THE NATIONAL ASSOCIATION OF COUNTIES
Washington, D.C.
Febraury 4, 1987

THANK YOU MR. CHAIRMAN AMD MEMBERS OF THE COMMITTEE FOR THE OPPORTUNITY TO TESTIFY ON WELFARE REFORM. I AM JOHN HORSLEY, PRESIDENT OF THE NATIONAL ASSOCIATION OF COUNTIES,* AND COUNTY COMMISSIONER FROM KITSAP COUNTY, WASHINGTON. FIRST LET ME COMMEND YOU FOR THE ATTENTION YOU HAVE GIVEN THIS ISSUE AND FOR DRAFTING LEGISLATION THAT WOULD PROVIDE INCENTIVE BONUSES TO AREAS THAT PLACE LONG-TERM WELFARE CLIENTS IN JOBS.

IN KITSAP COUNTY WE ARE ALREADY USING OUR JOB TRAINING PARTNERSHIP ACT (JTPA) PROGRAM TO PLACE WELFARE CLIENTS ON JOBS. BETWEEN 1985 and 1986 ONE-FOURTH OF THE PARTICIPANTS IN OUR BASIC GRANT PROGRAM WERE WELFARE CLIENTS. OF THE 180 THAT RECEIVED EMPLOYMENT AND TRAINING SERVICES, 155 (83%) COMPLETED TRAINING AND 113 (63%) WERE PLACED ON JOBS. WE ARE VERY PLEASED WITH THIS SUCCESS RATE.

WELFARE REFORM IS A SUBJECT OF GREAT INTEREST TO COUNTY GOVERNMENTS. IN 13 STATES, COUNTIES CONTRIBUTE A SIGNIFICANT AMOUNT OF LOCAL TAX DOLLARS TO ASSIST AFDC RECIPIENTS. AT LEAST

*THE NATIONAL ASSOCIATION OF COUNTIES IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN THE UNITED STATES. THROUGH ITS MEMBERSHIP, URBAN, SUBURBAN AND RURAL COUNTIES JOIN TOGETHER TO BUILD EFFECTIVE, RESPONSIVE COUNTY GOVERNMENT. THE GOALS OF THE ORGANIZATION ARE TO: IMPROVE COUNTY GOVERNMENT; SERVE AS THE NATIONAL SPOKESMAN FOR COUNTY GOVERNMENT; TO ACT AS LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; ACHIEVE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL-AID SYSTEM.

28 STATES HAVE GENERAL ASSISTANCE PROGRAMS WHERE, IN MANY CASES, COUNTIES PAY THE FULL COST. ALMOST EVERY COUNTY PARTICIPATES IN AND PAYS FOR SOME PORTION OF THE NETWORK OF WELFARE SERVICES AND EMPLOYMENT PROGRAMS.

THE RISE IN POVERTY IN RECENT YEARS CONTINUES TO SWELL THE WELFARE CASE LOADS AT THE STATE AND LOCAL LEVELS. NOT ONLY DO WE FIND OUR CASE LOADS INCREASING, BUT WE FIND THE LENGTH-OF-STAY ON WELFARE INCREASING AS WELL. ACCORDING TO A RECENT NATIONAL REPORT, ONE OUT OF EVERY FOUR AFDC RECIPIENTS WILL COLLECT BENEFITS FOR 9 YEARS OR MORE (NOT NECESSARILY 9 CONSECUTIVE YEARS). THESE LONG TERM RECIPIENTS ARE ESTIMATED TO ACCOUNT FOR 60 PERCENT OF THE TOTAL WELFARE COST. UNLESS REFORMS ARE MADE IN THE CURRENT SYSTEM, WE MAY SOON BE SPENDING MORE OF OUR RESOURCES ON EVEN FEWER RECIPIENTS.

THE TIME FOR WELFARE REFORM IS LONG OVERDUE. SINCE 1935, WELFARE HAS GROWN INTO A HUGE PATCHWORK OF COSTLY UNCOORDINATED PROGRAMS. WHILE THESE PROGRAMS PROVIDE BASIC SUPPORT (INCOME MAINTENANCE, FOOD AND HEALTH CARE TO NAME A FEW), THEY DO VERY LITTLE TO HELP CLIENTS BECOME SELF-SUFFICIENT. INSTEAD, THEY ENCOURAGE LONG TERM DEPENDENCY. FOR EXAMPLE, IN SOME STATES WELFARE BENEFITS ARE HIGHER THAN THE WAGES OF SOME ENTRY LEVEL JOBS, EVEN THOUGH THE FAMILY IS STILL UNDER THE POVERTY LINE. ANOTHER REASON IS THAT THE AFDC "EARNINGS DISREGARD" CAUSES

RECIPIENTS TO LOSE BENEFITS IF THEY ACCEPT PART-TIME OR LOW PAYING JOBS THAT DO NOT TOTALLY DISQUALIFY THEM FOR BENEFITS.

NACo FIRST ADOPTED POLICY IN 1977 CALLING FOR INTERIM STEPS TO REFORM THE CURRENT WELFARE SYSTEM. THE ULTIMATE GOAL WOULD BE TO REPLACE AFDC, GENERAL ASSISTANCE AND FOOD STAMPS WITH THREE SEPARATE PROGRAMS THAT PROVIDE WORK SECURITY, INCOME SECURITY AND SOCIAL SERVICES TO NEEDY COUNTY RESIDENTS. THE THRUST OF THESE NEW PROGRAMS WOULD BE TO PROVIDE EMPLOYMENT AND TRAINING OPPORTUNITIES TO THOSE WHO ARE ABLE TO WORK, A SIMPLIFIED INCOME MAINTENANCE PROGRAM FOR THOSE UNABLE TO WORK, AND SOCIAL SERVICES DESIGNED TO STRENGTHEN FAMILY LIFE AND ENCOURAGE SELF-SUPPORT.

THIS POLICY WAS REVISED AND EXPANDED IN 1981. WHILE THESE RECOMMENDATIONS WERE MADE 10 YEARS AGO, THEY STILL APPLY TO MANY OF THE PROBLEMS IN THE CURRENT SYSTEM. HOWEVER, I HAVE APPOINTED A TASK FORCE ON WORK AND WELFARE REFORM TO RESHAPE OUR POLICY TO FIT THE POLITICAL AND BUDGET REALITIES OF TODAY.

THE TASK FORCE IS COMPRISED MOSTLY OF ELECTED COUNTY OFFICIALS FROM COUNTIES IN STATES WITH WELFARE DEMONSTRATION PROGRAMS. IT IS SUPPORTED BY AN ADVISORY GROUP OF COUNTY EMPLOYMENT AND HUMAN SERVICE ADMINISTRATORS. THESE COUNTY OFFICIALS HAVE A WEALTH OF KNOWLEDGE AND EXPERIENCE IN ASSISTING WELFARE CLIENTS. THEY WILL BE MEETING HERE IN WASHINGTON THIS WEEKEND TO BEGIN REVISING OUR POLICY. IF POSSIBLE, THE TASK

FORCE WILL SUBMIT REVISED POLICY RECOMMENDATIONS AT OUR UPCOMING LEGISLATIVE CONFERENCE IN MARCH.

MANY INNOVATIVE APPROACHES TO WELFARE REFORM ARE BEING TRIED AT THE STATE LEVEL, SUCH AS EMPLOYMENT AND TRAINING CHOICES (ET) IN YOUR HOME STATE, AND THE GREATER AVENUES FOR INDEPENDENCE (GAIN) PROGRAM IN CALIFORNIA. THE GOVERNOR IN MY HOME STATE IS ALSO PROPOSING A NEW INITIATIVE --THE FAMILY INDEPENDENCE PROGRAM (FIP).

GOVERNOR GARDNER'S PROPOSAL IS A FIVE YEAR DEMONSTRATION PROGRAM WHICH IS PENDING THE APPROVAL OF BOTH THE STATE LEGISLATURE AND CONGRESS. I URGE YOU AND ALL MEMBERS OF CONGRESS TO SUPPORT THE NECESSARY CHANGES IN FEDERAL LEGISLATION TO ALLOW OUR SYSTEM TO WORK.

FIP WOULD OFFER INCREASED CASH BENEFITS, INSTEAD OF AFDC AND FOOD STAMPS, AS AN INCENTIVE TO GET ABLE-BODIED WELFARE CLIENTS TO PARTICIPATE IN JOB TRAINING, OR ACCEPT PART-TIME OR FULL TIME WORK. CLIENTS PARTICIPATING IN TRAINING WOULD RECEIVE 5 PERCENT MORE IN CASH BENEFITS THAN THE COMBINED TOTAL OF THEIR CURRENT AFDC AND FOOD STAMP BENEFITS. CLIENTS IN PART-TIME JOBS WOULD RECEIVE 15 PERCENT MORE AND THOSE IN FULL TIME JOBS WOULD RECEIVE 35 PERCENT MORE.

CHILD CARE AND MEDICAL CARE WOULD ALSO BE AVAILABLE TO CLIENTS ENROLLED IN TRAINING AND TO THOSE WORKING ON JOBS. [redacted]

BENEFITS WOULD REMAIN AVAILABLE, ALTHOUGH AT A SLIGHTLY REDUCED RATE, FOR UP TO ONE YEAR AFTER FAMILY INCOME EXCEEDS 135 PERCENT OF THE ENTITLED BENEFITS. THIS WILL MAKE THE TRANSITION FROM PUBLIC ASSISTANCE TO THE LABOR FORCE MUCH EASIER.

THE PROGRAM WOULD BE ENTIRELY VOLUNTARY DURING THE FIRST TWO YEARS. ENROLLEES WOULD NOT BE REQUIRED TO PARTICIPATE IN TRAINING OR WORK PROGRAMS. AFTER THIS PERIOD THE PROGRAM WOULD CONTINUE TO BE VOLUNTARY EXCEPT IN AREAS WHERE THE NUMBER OF JOBS AND TRAINING OPPORTUNITIES EXCEEDS AVAILABLE VOLUNTEERS.

ONE OF THE BEST FEATURES OF THE PROGRAM IS THAT IT IS REVENUE NEUTRAL. THE FEDERAL GOVERNMENT WOULD BE REQUIRED TO CONTINUE FINANCIAL SUPPORT AT CURRENT LEVELS FOR AFDC, FOOD STAMPS AND MEDICAID. THE SAVINGS ACHIEVED BY ENCOURAGING WELFARE CLIENTS TO ACCEPT JOBS WOULD BE USED TO PAY FOR THE INCREASED BENEFITS. THIS PROGRAM HOLDS A LOT OF PROMISE FOR ASSISTING NEEDY COUNTY RESIDENTS TO LEAD MORE PRODUCTIVE AND REWARDING LIVES. THE GOVERNOR HAS TALKED WITH LOCAL GOVERNMENT OFFICIALS, WELFARE RECIPIENTS, ADVOCATES, LABOR LEADERS AND STATE LEGISLATORS IN DRAFTING HIS PROPOSAL. I BELIEVE IT IS AN EXCITING PROGRAM SUITED FOR THE STATE OF WASHINGTON. WE LOOK FORWARD TO WORKING WITH YOU AND THE REST OF THE CONGRESS TO GET THE NECESSARY WAIVERS TO ALLOW FIP TO BE AN EFFECTIVE PROGRAM.

THIS BRINGS ME TO THE POINT OF COMMENTING ON YOUR DRAFT PROPOSAL, JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS ACT (JEDI), WHICH CALLS FOR INCREASED INCENTIVES TO PLACE LONG-TERM WELFARE RECIPIENTS IN JOBS. BECAUSE THE NACo TASK FORCE AND STEERING COMMITTEES HAVE NOT HAD AMPLE TIME TO REVIEW THIS PROPOSAL, WE WILL RESERVE OUR FORMAL RESPONSE UNTIL LATER. HOWEVER, I CAN TELL YOU THAT THE PRELIMINARY RESPONSE FROM SOME OF OUR KEY OFFICIALS HAS BEEN VERY FAVORABLE. WE LIKE THE CONCEPT OF USING FINANCIAL INCENTIVES TO GET STATE AND LOCAL AGENCIES TO INCREASE THEIR EFFORTS TO PLACE LONG-TERM WELFARE CLIENTS IN JOBS. WE ARE CONVINCED THAT MORE CAN AND SHOULD BE DONE TO PROVIDE JOB OPPORTUNITIES FOR CLIENTS AT ADEQUATE WAGES.

NACo HAS LONG ENDORSED THE USE OF INCENTIVES INSTEAD OF SANCTIONS OR MANDATES AS A MEANS OF ADDRESSING THE SPECIFIC NEEDS OF NATIONAL TARGET GROUPS. THIS ALLOWS THE FEDERAL GOVERNMENT TO CARRY OUT NATIONAL OBJECTIVES WITHOUT UNDERMINING STATE AND LOCAL DECISION-MAKING. WE WOULD URGE THIS COMMITTEE TO REJECT ALL MANDATES CALLING FOR A PERCENTAGE OF FUNDS TO BE SPENT ON CERTAIN NATIONAL TARGET GROUPS OR DESIGNATING CERTAIN SERVICE PROVIDERS. THESE DECISIONS CAN BEST BE MADE BY LOCAL ELECTED OFFICIALS AND PRIVATE INDUSTRY COUNCILS WHO ARE MORE KNOWLEDGEABLE OF LOCAL CIRCUMSTANCES AND RESOURCES.

WHILE SOME OF OUR PEOPLE SUPPORT THE "JEDI" CONCEPT, THEY EXPRESSED CONCERN ABOUT THE WAY FUNDS WOULD BE DISTRIBUTED AND ABOUT POTENTIAL ADMINISTRATIVE PROBLEMS. THEY FEEL THAT PROVISIONS SHOULD BE MADE TO ENSURE THAT FUNDS ARE PASSED THROUGH

TO SERVICE DELIVERY AREAS THAT PLACE LONG-TERM WELFARE CLIENTS IN JOBS. THEY FEEL THAT PROVISIONS SHOULD BE MADE TO ALLOW SERVICE DELIVERY AREAS TO USE A PORTION OF THE INCENTIVE GRANTS FOR ADMINISTRATIVE COSTS. CLIENT ELIGIBILITY AND THE PARTICIPANT TRACKING SYSTEM PROPOSED IN THE BILL ALSO RAISED A LOT OF CONCERNS. SEVERAL OFFICIALS THINK THESE WOULD BE DIFFICULT AND EXPENSIVE TO PERFORM.

OTHER OFFICIALS POINTED OUT THAT SINCE INCENTIVE BONUSES WERE BASED ON STATE BENEFIT LEVELS, AN EQUITY FACTOR MUST BE BUILT INTO THE LEGISLATION TO ACCOUNT FOR HIGH VERSUS LOW BENEFIT STATES. THESE ARE CONCERNS THAT I BELIEVE WE CAN WORK ON TOGETHER TO FIND A MUTUALLY AGREEABLE SOLUTION.

MR. CHAIRMAN, I HAVE ENJOYED THIS OPPORTUNITY TO SHARE WITH YOU SOME OF NACo'S CONCERNS ABOUT WELFARE REFORM. I LOOK FORWARD TO WORKING WITH YOU IN THE NEAR FUTURE, AND I WOULD BE HAPPY TO ANSWER ANY QUESTIONS AT THIS TIME.

The **Chairman**. Well, thank you very much. We appreciate your positive comments, and also your underlining some of the areas which ought to have additional attention by the Members of the Committee.

I'm going to ask a number of the questions, and supplementary material will be made a part of your whole record. I would be very interested in exactly the kind of program that you are providing in terms of what is being done in the training program.

What are you spending per individual?

Mr. **Horsley**. In Kitsap County I think we are averaging per placement about $2,600.

The **Chairman**. And do you have a breakdown on how much of that goes for different functions and services?

Mr. **Horsley**. I'll be glad to provide that.

The **Chairman**. Do I understand that training, education, and other kinds of support activities, are an important part of that?

Mr. **Horsley**. Yes, that's almost entirely training, I'd say about 70/30 training and support.

The **Chairman**. Does that include the health benefits?

Mr. **Horsley**. No, that would be in addition to that.

The **Chairman**. When you take someone off of welfare, AFDC, into this training program, do they lose their health benefits in Washington?

Mr. **Horsley**. In some instances, yes. And one of the things that our governor's proposal provides is a way around that. We consider it absolutely critical to have child care and medical coverage continue. Those are two critical components; if you drop them, many of the people won't make the transition. Diana Cook was willing to take the risk: she had been on welfare ten years, she was ready to make the break. Our women-in-transition program gave her the self confidence to try. The fact that she was hired by a municipal agency that had health benefits was helpful as well. But she had the guts to get off on her own.

The **Chairman**. Well, that's commendable. And I think we are finding that health benefits are extraordinarily important in terms of making the great leap towards moving towards programs that can move people out of the welfare dependency.

What about the bonus provisions? That's a bonus to the states. We figured out a formula to try and provide these bonuses to the states. There's nothing magical about it is 75/50/25 percent of the participants' federal AFDC benefits. What is your sense about the amount that is included in those bonuses?

Mr. **Horsley**. We like the concept. I think what I need to do is hear from my own task force as to the specifics of whether they think 75/50, or what have you is enough to attract activity. We also hope that your staff will take a hard look at the family independence program our governor is proposing which rolls all current programs into one, and is revenue-neutral from the Federal perspective and gives us more flexibility to provide all those services that people need plus move them into productive jobs.

The **Chairman**. We provide a good deal of flexibility as to which contracting agency would be used. I think that there is a general sense from the testimony that we have received that community-based organizations have in many instances the best kind of infrastructure to set up these programs. But we maintain a good deal of flexibility to permit the states maximum opportunities for using different structures; whether it's the existing JTPA or some part of the Private Industry Council, working with the private sector, or other types of contractors.

Do you think that's a better way to proceed than just trying to lock it into a particular type of contracting agency?

Mr. HORSLEY. Absolutely. My people in the Olympic consortium, in the Olympic Peninsula, private industry council know our market place; we have competitive contractors come in and bid annually or periodically to provide our service. And involved in that are some community-based organizations.

We think you are on the right track.

The CHAIRMAN. I have another series of questions I will ask my staff to go over with you and make a part of the record, just in terms of the amounts and types of education and training you are providing, and the length of time that you spend working with each participant. I think all of that kind of information will be very helpful to us. So if you would be able to remain with us this afternoon, I'd like to get as much information as we can.

I want to thank you very much for your willingness to join us here today with these comments. We want to keep in close contact with the Association; we want their comments, we want to get their recommendations, we want to work with them. We believe we've got a very important recommendation in how to deal with this problem. It won't have all the answers but it will, I think, begin to open some paths towards important and significant progress in this area. If it does, hopefully it can be built on and replicated in a way that can make a good deal of difference to the people in your state and around the country.

Mr. HORSLEY. Senator, the counties throughout America commend you and your Committee for embarking on this initiative. We think there is great merit in it. Our people are excited about many new initiatives being put forward at the state levels. Now to see some initiative being taken at the Federal level, we are convinced that we are going to see some positive action taken this year.

Have you got Senator Adams lined up on this one?

The CHAIRMAN. Well, I'm going to let you handle that responsibility. That was one of the questions we were going to ask you later on.

He seems to be very strongly in favor of it. He brought to our attention the program in the state of Washington. He's familiar with FIP, and spoke to me and to the other Members of the Committee about it, and that's been very, very helpful.

Mr. HORSLEY. You've got to lend us some of your writers–you know, "ET" and "JEDI" are much sexier than I think FIP is, what the governor came up with.

The CHAIRMAN. Well, as long as we get the job done. Unless Senator Quayle has any questions for this witness, we will go right to the National Alliance of Business.

Senator QUAYLE. I would just like to congratulate our witness for the testimony today, Mr. Chairman, and thank you once again for holding these hearings on important legislation–and congratulate you on the legislation that you will introduce. I think much of it is very similar to what I support.

I have not read the testimony, but I understand it deals with the problem that the Chairman raises, on getting help to the long-term unemployed and the real hard-core unemployed, and of trying to work through the existing structure of JTPA. And I think there are probably things that we can do, and we should do, to achieve that goal. I accept that. As a matter of fact, last year this problem of helping the disadvantaged arose, and I don't deny that the problem exists. I think that what we need to do is to sit down and find the best, most effective mechanism to help them, whether it's changing the performance standards and maybe giving a little bit different weight to different categories of clients, or whatever it may be, I think we can address this problem.

I thank you, and just want to thank the witness and your organization for all the support that you have given both Senator Kennedy and myself as we have worked on this progam in the last six years. You and your organization have really been very instrumental—of course, we gave you a lot of responsibility and we put a lot of faith in you, and I daresay you have lived up to our expectations, and we thank you for the service that you have provided to those people.

I really don't have any questions, Mr. Chairman, but I did want to congratulate our witness.

Mr. **Horsley**. Senator, you may be aware that our national convention this summer is going to be in Indianapolis, and hope you can drop in on us there.

Senator **Quayle**. Thank you for reminding me of that, and, believe me, if it's on a weekend or a time that I will be back there, I'll be there. Make sure I'm prominently displayed up there.

Mr. **Horsley**. Absolutely.

Senator **Quayle**. I have a very important role and I will be glad to give an important speech of sorts. [Laughter.]

Thank you very much.

The **Chairman**. Senator Humphrey, we were thinking of moving on to the second panel. We had the representative of the National Association of Counties appear here, and they gave very good testimony; they are going to stay behind to respond to some of the particular questions, the technical aspects of their state of Washington program afterwards—and we were getting prepared to move to the National Alliance of Business.

Senator **Humphrey**. Fine, I had no questions of this witness, Mr. Chairman. Thank you very much.

The **Chairman**. Thank you very much.

The second witness, Pierce Quinlan, the executive vice-president of the National Alliance of Business.

STATEMENT OF PIERCE QUINLAN, EXECUTIVE VICE-PRESIDENT, NATIONAL ALLIANCE OF BUSINESS, WASHINGTON, DC

Mr. **Quinlan**. Thank you, Mr. Chairman, for the opportunity to come here—and Members of the Committee. I want to take this opportunity to compliment you and the Committee for covering a subject that I think is of great importance to the country, dealing with some of our hardest-to-employ. These are matters of real concern to us. We have several reports from the past year: Employment Policies Looking to the Year 2000; that William Raspberry referred to in a column this morning, and another one dealing with "Youth 2000," in which we are raising some of those concerns as well.

So we do compliment you very much. And part of what our message is to the business community is that these are problems that really are not nice for you to deal with—these are absolutely necessary problems for you to deal with so that we have an effective and competitive work force.

This year, as you all know very well, the matter of competitiveness is a critical issue to the Congress and to the country as a whole. We think we have seen a substantial amount of awareness and attention on the part of the business community to this particular issue, and it's been growing each year.

What I'd like to do is to talk very briefly about some of the general principles that I think are valuable for involvement of the business community in the roles of helping develop and actually oversee the programs at the local level.

First of all, the business community clearly is a major customer of the program because they have the jobs, at least 80 percent of our jobs. They also have the knowledge of the kind of training that is necessary in their plants, and, in particular, can provide effective on-the-job training. Thirdly, they have the resources, in some instances, for doing other kinds of training on their sites. And, lastly, the private sector can be a valuable overseer or assister to various kinds of programs, to facilitate coordination, if you will. They are kind of a neutral body in this. And our experience through the private industry councils, under the Job Training Partnership program, with the ten thousand business volunteers that have served on those councils, seems to illustrate the kinds of enthusiasm and support that you get from the business community.

This week, Senator, in Washington we had about 370 private industry council chairs and members attending a conference. Senator Simon participated in that conference and I think he would attest to the enthusiasm, the interest, and the concern that these business volunteers have for programs such as those under the Job Training Partnership.

One of the things that we would like to also indicate is that there is some real value, now that the private industry councils have gained experience, in their looking more broadly at the coordination of programs. I think in your state, of Massachusetts which has had very good success in the ET Choices program; the Private Industry Councils have had more experience than in many of the other states. One of the reasons private employers are enthusiastic about the program is that they have had a chance to participate.

I think we ought to look at the results so far in the JTPA program. We think the results are really quite good. Over 67 percent of the economically disadvantaged individuals who have been enrolled in the program have been placed in private sector jobs; and 42 percent of those who have served in the program have come from public assistance programs, and their placement rate has been 57 percent.

We think that there has been considerable progress in terms of meeting the kinds of programs and the kinds of services for the individuals who need it. Basically the number of public assistance participants who have participated in the program is essentially consistent with their incidence in the total disadvantaged population. Now, that's not to say that there aren't some problems in the JTPA program, and some of those problems could well relate to the matter of performance standards and how the performance standards are established.

In the early days of the JTPA program, clearly we had a situation where we needed to gain some public support for job training programs, and the performance standards were met and exceeded by a substantial margin. But we think there is a lot of flexibility that needs to be utilized under the performance standards–and I'll mention that in a short while.

One of the things that we've done in terms of looking at the Jobs for Employable Dependent Individuals Program is try to see the really strong points, and I'd like to mention from our perspective what those strong points are:

First, the bill avoids the matter of establishing new categorical Federal programs to serve welfare recipients, but uses the established systems for program design. We think that that makes a lot of sense; it's more efficient to do it that way.

Secondly, the bill relies on performance not on process–bottom-line performance.

Thirdly, the bill follows the lead of the state experiments that we've had in the past that utilized welfare savings.

And, finally, the bill attempts to give financialincentives to the states to deal with the most dependent population.

In our review, of the bonus concept, we feel that, in actual practice, the bonus concept is not going to provide more than a minimal incentive for states to serve this particular population. And there are several reasons for that:

One, we think that the administrative arrangements are very complicated and potentially very costly for the states. We are not sure that those administrative arrangements will be a sufficient incentive for the states to go in the direction of serving this particular population. One of the lessons that we have learned from the JTPA program is that if you can keep the program requirements and red tape to the absolute minimum, you have better success in running the program and better success in keeping the business people with the program.

[The prepared statement of Mr. Quinlan follows:]

TESTIMONY
OF THE
NATIONAL ALLIANCE OF BUSINESS
BEFORE THE
COMMITTEE ON LABOR AND HUMAN RESOURCES
U.S. SENATE
ON WORK AND WELFARE ISSUES
FEBRUARY 4, 1987

Mr. Chairman, I appreciate the opportunity to discuss the views of the National Alliance of Business on issues related to training welfare recipients for jobs in the private sector.

My name is Pierce A. Quinlan. I am Executive Vice President for the National Alliance of Business. The Alliance has worked to promote job and training opportunities for the economically disadvantaged for 19 years. Our experience in working with both private sector employers and publicly funded job training programs provides us with a unique perspective on the subject of these hearings.

At the outset, I want to commend the Committee for holding hearings on what we feel is the critical element in welfare reform. We believe that the only meaningful way to change from a life of welfare dependency to one of self-sufficiency is by providing the training, support, and incentives necessary for competitive employment in our private, free market economy.

We are optimistic that this Congress will make progress in improving the transition from welfare to work. Social attitudes are changing about requiring able-bodied welfare recipients to participate in work-related activity and accept employment if offered. Budget pressures require measures to limit growth in entitlement programs. Meanwhile state experimentation is yielding promising new approaches to reducing welfare dependency, providing a growing base of experience on which to construct more effective programs. In addition, both the Administration and several committees in the Congress are examining these issues. We hope that the numerous ideological and jurisdictional barriers can be overcome to reach consensus on an effective policy.

Finally, there is a growing business interest in welfare-to-work initiatives.

Private Sector Interest in Welfare-to-Work Initiatives

Since the late 1970's, the interest and involvement of private sector employers in human resource issues has increased substantially, due in large part to growing concern about the lack of literate and qualified applicants to meet increasingly complex job requirements. Many employers are realizing that insufficient investment in human capital will hinder our ability as a Nation to complete effectively in the world market. Slower labor force growth in the years ahead will restrict employer choice in filling job vacancies. Unless a concerted effort is made to increase the education and skills of available workers, productivity could be impaired and economic growth could be undermined.

Employers are beginning to understand this problem, and are increasingly committed to doing something about it.

Business views public employment and training initiatives as important contributions to the development of local economies. One of the key indicators increasingly reviewed by corporations seeking to expand or relocate in a community is not tax advantages or labor costs but the levels of unemployment and welfare dependency in that area, and the responsiveness of state and local institutions to provide training and education. High levels indicate the potential of higher business costs in the long run and, to some degree, problems with the local economy and political leadership. Finally, many employers believe that reducing welfare dependence will eliminate excessive social costs and lower government spending, freeing up resources for business investment.

Private Sector Role in Welfare-to-Work Initiatives

Not only does the private sector have a strong interest in effective employment and training programs for welfare recipients, but it has important roles to play in designing and overseeing those programs, for several reasons.

- First, the private sector has the jobs. Over 80 percent of all existing jobs are in the private sector, and this figure is expected to increase in the next 15 years, primarily due to the growth of small business.

- Second, private sector employers have the knowledge of the job skills that are needed in their industries and their geographic areas. They understand local labor market trends that should contribute to appropriate public program designs, training content, and necessary support services. Employers know best what they will need from public training initiatives that have the goal of private sector job placements.

- Third, employers have resources to help train motivated participants, once they have basic literacy skills. Some corporations are even conducting their own basic education programs.

- Finally, local private sector leaders can serve an important role as an outside broker, or focal point, to facilitate coordination among various public programs related to employment and training. Very often it is the "neutral" business volunteers who can motivate various public agencies and officials to work more effectively together and coordinate resources more efficiently toward a common goal.

Our experience with the role of business volunteers in the Job Training Partnership Act programs illustrates these points. Each locality across the country, designated as a service delivery area under the Act, must establish a local private industry council with majority membership of business volunteers and other members coming from education, welfare agencies, the employment service, organized labor, and community-based organizations. The private industry council shares authority with local elected officials over program design and skill content, service delivery, oversight, and coordination.

Most importantly, we have seen that employers have a lot to bring to the table. They are willing to participate and have done so effectively, given appropriate institutional structures with a meaningful business role. We have seen the private industry council, as a community institution, begin to mature and to define its role more broadly as a center of human resource policy in the local labor market. The councils have an established identity and credibility in the business community. They see value in their role as coordinators of community resources in job training.

In some states this concept is being extended as part of larger state initiatives providing comprehensive job search and training opportunities for welfare recipients.

The Massachusetts Employment and Training (ET) Choices program has been in operation the longest among these initiatives, and private employers involved in this program are enthusiastic about its success. Part of the reason is because they have had a role to play.

The California Greater Avenues to Independence (GAIN) program has also built a system through state legislation that requires coordination with employers and particularly with local private industry councils. One significant advantage of a program like GAIN is the involvement of the state legislature which, on a broad bipartisan basis, provides a degree of permanence in state law beyond what a single governor can do by administrative means while in office. It is the long-term stability and investment in these programs that will produce the most significant results.

JTPA Success

In three years of operation, this working partnership has produced substantial results. Over 67 percent of all economically disadvantaged participants are placed in private sector jobs. Among the 42 percent of those served who are public assistance recipients, the job placement rate is 57 percent. JTPA program data indicate that the proportion of individuals in JTPA programs receiving public assistance is roughly equivalent to their representation in the eligible population. Furthermore, data show that AFDC recipients account for 21 percent of all Title II-A enrollees, a significantly higher proportion than their 15 percent representation in the eligible population.

Despite this positive performance, however, we estimate that JTPA is currently serving only one of every six AFDC recipients in need of employment and training assistance. The problem does not appear to be finding and recruiting welfare recipients to JTPA programs, as some are suggesting. In fact, welfare agency staff have complained to Congress that they refer five welfare clients for every one that can be served by JTPA training. The problem is not insufficient outreach.

It is important to remember that JTPA title II-A is not the only federal program serving the work-related needs of welfare recipients. A substantial portion of welfare recipients not served by JTPA receive training and job search assistance through the Work Incentive (WIN) program, WIN demonstration, Community Work Experience, Job Search, and Grant Diversion programs. While we do not know enough about how many individuals participate in many of these programs, we do know that the WIN program alone serves at least as many AFDC recipients as JTPA. In addition, many states and localities operate pilot or demonstration programs for AFDC and general assistance recipients. Nevertheless, there still remains a sizable group of able-bodied welfare recipients who would like to work, who need assistance in obtaining a job, but who are currently not being served by existing programs.

Larger JTPA Role?

Could JTPA Title II-A programs be expanded to better serve this group? Clearly, the answer is yes.

We have carefully studied the "Jobs for Employable Dependent Individuals" proposal to provide bonuses for expanded JTPA service to welfare recipients. The bill has several attractive features:

- First, unlike a number of other welfare reform proposals introduced to Congress in the past year, the JEDI bill avoids creating a new federal categorical program to serve welfare recipients, but instead uses established systems for program delivery.
- Second, the bill relies on performance, not process, to measure program success.
- Third, the JEDI bill follows the lead of state experiments to reinvest welfare savings back into employment and training activities.

- Finally, the bill attempts to offer financial incentives for states to expand service to the most dependent segment of the welfare population without sacrificing state flexibility in planning and managing employment and training program operations.

Based on our experience with job training programs, however, we see a number of problems with specific areas which we hope you will consider.

Bonus Concept. In practice, the proposed bonus offers a minimal incentive for states to modify their current policies. It seems likely that states would only increase the number of welfare recipients served to the extent they could expect the bonus to cover additional program costs.

The bonus would need to be set high enough to compensate them for providing more expensive services to a more difficult-to-serve segment of the welfare population. At some point, we expect that each state would make a rational calculation that the bonus is insufficient to cover the increment to training costs. Stretching bonus payments out over three years would increase the risk that states would never fully recover their training costs and would be a strong disincentive to program managers.

Administration. The high administrative costs associated with the proposed complex participant tracking system would further reduce the level of state participation. States would incur considerable expense documenting the pre-program experience and tallying the cash benefits received by thousands of welfare recipients. Tracking post-program experience of each individual over three years would be nearly impossible due to job and address changes. Along that line, the bill is unclear whether accepting a better paying or otherwise more rewarding position with a different employer disqualifies the state from claiming its later year bonus payments, if it could locate the individual and produce the necessary documentation.

An important lesson from JTPA is that simplicity in program requirements and reduced red tape, or even the perception of red tape, is essential for business involvement. Employers have a natural reluctance to get involved in what they see as bureaucratic government programs, whether the perception is true or not. It is possible to keep legislative requirements and administrative structures streamlined without losing accountability. When a program focuses on a paperwork compliance process, as this proposal seems to, the purpose is lost and business interest cannot be sustained.

Targeting. Despite the proposal's laudable attempt to focus services on long-term welfare dependents and young newly dependent individuals, there would still be an incentive for training programs to enroll the "easiest-to-serve" among the "most-in-need." Since bonus payments would only be made for individuals placed in jobs and who remain there at least one year, rational program operators would be likely to seek out the most employable from among the eligible JEDI population. If their ultimate placement appeared uncertain or too expensive, eligible welfare recipients would not be served.

Use of CBOs. The JEDI bill's emphasis on increased use of community-based organizations seems misplaced. At the local level, maximum flexibility in program design, mix of services, and choice of service deliverers is required to respond to the needs of the local economy and program participants. Mandating specific service providers in federal law, as has been suggested, runs counter to the prevailing view that all service providers should compete fairly for public funds based on their competence and proven performance in a given local area.

Up-front Costs. Starting up the JEDI program would require considerable capital. The automation and software development necessary to successfully determine eligibility, calculate bonuses, and track program participants could run into the millions of dollars in some states. Up-front training costs would also be substantial.

A key point to remember about employment and training services for welfare recipients is that they are bound to be both time consuming and expensive. Nearly one-fourth of this group has never been employed, and most of those who have previously worked were employed in occupations offering little skill training. Less than half have a high school education. Many require some assistance with child care and transportation. This does not mean that we avoid serving them. It does mean that successful services to this clientele will require drawing on a broad range of programs and resources at the state and local level.

Recapturing funds from title II-A programs would not begin to cover these costs. Moreover, the negative consequences of taking such an action could be significant. In essence, the proposed reallotment of unspent JTPA funds would redistribute resources from rural to urban areas. Furthermore, it would represent a dramatic shift in public policy from serving a broad population of disadvantaged individuals to a narrower focus on a group that is less than half of the eligible population under JTPA.

Performance Standards. Buried in the section on "conforming amendments" is perhaps the most important contribution in the legislation. Although vaguely worded, the proposal calls for modifying the cost-per-placement performance standard for welfare dependents under JTPA. Such action may be appropriate, since there are indications that local decision makers may be choosing to emphasize short-term and less expensive training because of their failure to understand the flexibility the law allows regarding performance standard adjustments that are available to them when providing long-term training to hard-to-serve client groups.

Too few private industry councils and service delivery area agencies are taking advantage of existing opportunities to adjust performance standards for more difficult-to-serve client groups. However, new federal legislation is not required to remedy this situation. Strong federal leadership and direction that encourages local flexibility in setting program goals could produce the desired changes in local planning and operations. In fact, a successful campaign led by the Department of Labor could eliminate the need for the complex program proposed in the JEDI legislation.

Amending JTPA. The proposal seeks new amendments to JTPA before the latest round have even had time to take effect. Public programs need stability and continuity in order to remain effective. In particular, it is difficult to sustain the commitment and participation of business volunteers if the rules are changed every few months. The Committee should seriously consider whether the potential benefits of further legislative changes outweigh the certain costs to system effectiveness.

Comprehensive State Systems

Mr. Chairman, the JEDI program falls short of what is needed to serve the employment and training needs of welfare recipients. The narrow focus on JTPA as the main delivery system limits the Committee to tinkering at the margins of the problem. The JEDI bonus would likely be ignored by most states. Those states that do choose to try out this incentive would probably limit its use to pilot or demonstration projects. Most important, the proposal does not account for the considerable progress states have made in recent years building more comprehensive systems using a much different approach. Meaningful reform in this important area should build on these successful state experiments.

Any serious effort toward combining work and welfare must take a broader look at combining a number of state and federal resources. By integrating education, social welfare, and employment and training programs, including JTPA, several states have developed creative approaches that pool existing resources to expand services to welfare recipients. Massachusetts' "ET Choices" and California's "GAIN" are the best examples. Both of these state initiatives assign an important role to JTPA, but their success lies in their ability to combine funds from a variety of federal programs with substantial state resources to construct a comprehensive and integrated system of sequenced employment-related activities for welfare recipients.

A key ingredient in the formula for success is state and local flexibility. State experience suggests that different models are appropriate in different states and in different areas within states. This is only natural since labor market conditions, political needs, and institutional capacity vary among states. At the local level, maximum flexibility in program design, mix of services, and choice of service deliverers is required to respond to the needs of the local economy and program participants.

Federal Policy Directions

In our view, federal policy has already developed a framework on which to build more effective programs to serve welfare recipients:

- Balanced roles and authorities for the public and private sectors to harness private sector expertise, resources, and support, and to help tailor publicly financed programs to local economic realities

- Maximum state and local flexibility to facilitate the coordination of programs and resources.

- And an emphasis on performance, not process.

The most important contribution the federal government can make to improve welfare-to-work programs is to give the states the freedom and "seed money" to continue their efforts.

Historically, the Work Incentive (WIN) program has been one of the tools used by states to provide a comprehensive mix of job search and training activities. WIN grant money has played a critical role in leveraging additional financing from state legislatures. WIN grants have been successfully combined with state and federal funds to make more imaginative programming possible.

A new program is needed to replace WIN, whose funding runs out in June of this year. The new program should increase state flexibility, increase the state share of funding, broaden the range of authorized education and job training activities, and ensure the provision of adequate support services to sustain program participants. The program should be carefully coordinated with the public/private structures under JTPA. State Job Training Coordinating Councils should have a role in developing the overall policy guidelines for the program within the state, and private industry councils should help plan and oversee programs at the local level. This new program would provide the critical incentive funds for states to undertake more comprehensive initiatives for helping welfare recipients prepare for private sector employment.

We are ready to work with you and your Committee to help design such a program to create meaningful private sector work opportunities for welfare recipients.

Mr. Chairman, I would be happy to answer any questions the Committee may have.

The **Chairman**. Well, let me just say, we welcome ways of trying to do this. We have tried to simplify our program and give maximum flexibility to the states without mandating the participation of any particular group. In the past we have tried to target in other kinds of programs, training programs, the particular community-based organization. Here we provide maximum flexibility to the states. You heard our previous witness say that they wish that those groups which are actually doing the training would get the benefits.

We have at least reached the tentative decision to provide the flexibility and give the overall responsibility to the states so that the states themselves can streamline the process and use whatever is the most efficient and effective vehicle for training.

Now, how else could we structure that?

Mr. **Quinlan**. We think we have a pretty good system in place now through the use of performance standards. One of the things that has happened with the performance standards, however, is that there has been a constant striving to increase the standards each year, whether this be cost per placement or placement rates.

We believe that there is a way that the standards can be adjusted using the leadership of the Congress and the leadership of the Department of Labor to say that for certain client groups, particularly the group you are concerned about here, Senator—it would be more appropriate to say we encourage you to serve these groups. We understand under these circumstances that the performance standards may not be the same for someone who has more skills. That way I believe we can keep many of the principles that have proved valid under the JTPA program without having difficulties in administering the program.

If the JEDI program were to be approved, we clearly want the states to follow the program. We have some reservations that they will want to proceed because of the administrative costs and some of the reporting problems. We think that there are tremendous difficulties in pursuing individuals over the course of three years—you just can't find them.

The **Chairman**. Well, I think that that's a legitimate concern. There's an effort in the Congress now in terms of child support to try and ensure that the absent fathers are going to be participating in offsetting the costs of raising and caring for their children. I think they should. I think most Americans believe that they have a responsibility. They are doing a very effective job, as I understand, the state of Wisconsin, in sequestering some of the funds that are paid, the salaries that are paid to fathers, for their children. And they work that through a Social Security type of a system. What we have tried to do is to experiment with a system that has tentatively shown some rather positive results. We would welcome other suggestions about ways of doing it, but it seems to me that we have to have some sort of verification process. I'm reluctant, you know, to create a super-governmental agency snooping around in terms of the Social Security system, but it does seem to me that they could make a determination whether the person is working or not, without infringing too much on civil liberties.

Mr. **Quinlan**. We've tried that in the past on a wide scale basis under the JTPA program, and CETA before that, with not very satisfactory results, because of very substantial time lags in getting that kind of information. So I'm not sure that you are going to be able to persuade the states that you will have enough information so that they will be able to get the bonus in a timely manner. They have significant upfront costs in establishing this kind of system to track the individuals. I'm not sure that in this instance the dogs are going to eat the dog food.

The **Chairman**. What kind of bonus—you know, we have a 75/50/25 percent scale. What kind of bonus do you think is necessary?

Mr. **Quinlan**. I think that if you put the message out—to the people that are involved in the policymaking INJTPA who are used to dealing with bottom-line performance indicators, they will be moved by those indicators. If you put the message out to the people in the system that you want them to serve a more disadvantaged group of people in the AFDC category, for example, and that you are going to recognize that through the performance standards process, I believe that the system will respond.

The **Chairman**. Well, why doesn't it respond to bonuses, then?

Mr. **Quinlan**. Well, there are bonuses already in the system for people who meet and exceed the performance standards. They are already provided as a matter of course, based on the existing performance standards, through the use of the 6-percent funds and the 8-percent funds under JTPA. So that there is a sensitivity to that.

But that does not require funds to come flowing back to Washington to be then reallocated. These are funds that the governor has under his particular jurisdiction.

The **Chairman**. Well, the 6 percent, I was trying to figure out what the 6 percent represented in terms of financial bonus. It would seem to me the bonus in this proposal is considerably more.

Mr. **Quinlan**. Well, I think it's well worth examining what the amount of money truly is, if you are talking about recaptured funds. Work groups that NAB has been involved in recently indicate that for the past year the program has actually outlaid about 103 percent of the funds, over the 100 percent—so they are eating down the surplus that was established in the early days of the program because of the start-up systems and things of that nature. There may not be as much money there as one would originally estimate.

The **Chairman**. Well, you understand that the bonuses are not coming out of the recaptured carry over funds. These are the additional—these are bonuses from the Federal government, savings at the Federal level.

Mr. **Quinlan**. Well, those would be recaptured funds. There's no net new money by my reading of your latest version.

The **Chairman**. Well, it's new money as far as the state goes.

Mr. **Quinlan**. But it still has to come from the JTPA system.

The **Chairman**. No, it doesn't, not at all. It comes from the funds that would be expended in terms of the welfare system, the AFDC, the matching funds——

Mr. **Quinlan**. Ultimately.

The **Chairman**. Yes.

Mr. **Quinlan**. But initially you are looking at a target of opportunity to get the program started.

The CHAIRMAN. Sure, we are not arguing about—hopefully, we are not going to get into, you know, what is necessary in start-up; I mean, there are some states that have already got the infrastructure and are already established—I mean, I don't question that: some states are further ahead than others.

Mr. QUINLAN. I was dealing, Senator, with the question about where does the start-up money come for this. The principle of using savings over time is a principle that we would clearly support. But where does the money come from for start-up purposes? That is a complicated question, and it's one that can be elusive in the sense that clearly in the early stages, in 1984, of JTPA there was a slower start-up. But I believe those funds are being worked down fairly rapidly now as the private industry councils in the service delivery areas are fully functioning. So it can be a little bit elusive in the initial stages. I understand where you are in terms of long-term financing.

The CHAIRMAN. I apologize for interrupting, but we've got the votes and other Senators will be coming back—but on the targeting proposal. I know you've got problems with this issue as well.

Mr. QUINLAN. One final point. The amendments to JTPA that were acted on this fall are yet to be implemented. I would raise a concern to you that one of the benefits that JTPA has had over the last few years is a degree of continuity. And I'm concerned that we come up with another set of amendments—

The CHAIRMAN. We all understand that issue. I am hopeful that we can take the interest of the business community into consideration and give them the kind of satisfaction and enthusiasm to this aspect that they have for the PIC's. When we had the community-based organizations testifying, virtually all of them indicated what an important ingredient that activity was in the sense of achievement and accomplishment and involvement of the community. So we are not interested in disturbing that concept.

What I basically would like to do is take that enthusiasm and move it over towards the more difficult to employ. That's what we are trying to extend, and we hope to look at this as building and expanding on something, rather than as trying to replace an order.

Mr. QUINLAN. We have an absolute common agreement.

The CHAIRMAN. So we would want to work closely with you about how that could be done. That's our objective. And we want to work with you closely to make sure that there isn't a sense that that function and that effort is in any way diminished.

Mr. QUINLAN. I appreciate that.

The CHAIRMAN. Maybe that is not clear in the legislation, and, if it isn't, then I'm wide open to discussing it.

Mr. QUINLAN. We do have some questions, Senator. There is one concept that has accurred in Massachusetts and California in some of the proposals to serve AFDC recipient that I think is worthy of examination. Those programs tie together a whole range of various federally financed and state-financed programs. One of the key programs that served as glue money, seed money, has been the work incentive program.

The CHAIRMAN. Right.

Mr. QUINLAN. That program is due to go off the books—

The **Chairman**. Listen, I'm all aboard on that; I was the principal sponsor with Moynihan and John Kerry in terms of expanding that. We didn't get the funds that we want. I'm all aboard; I'll go to the wall with you on that. We in Massachusetts probably use our total funding for ET. The WIN program is, only 20 or 25 percent of our total funds for ET.

Mr. **Quinlan**. That is a key element.

The **Chairman**. It's a key element. We are going to do everything we can to make sure that goes forward.

Mr. **Quinlan**. We've got about four and a half months to go, and that thing——

The **Chairman**. We hear you, and I think we've got pretty good indications both from the Budget Committee and others on Appropriations that we have a good opportunity, and I would be hopeful that with Senator Quayle and others, who have been very much involved—that we could get that.

Mr. **Quinlan**. Mr. Chairman, that generally covers the issues that I wanted to cover in the summary, and we would be very, very anxious to work with you and the Committee and the Committee staff to refine the ideas further. And you certainly have our support in the thrust that you are taking to really zero in on this particular target group. Basically we are going to have to—over the next ten years—to use all of our workers, all of our people in the work force effectively; we can't afford to have people on AFDC who are able bodied. So that is a principle we would absolutely stand with you on.

The **Chairman**. Well, what I would hope is that you could work with my staff on these up-front cost issues. I think we have to try and find out, in terms of the various states, what they really are capable of doing—and they vary. But I think that's an important point.

On the administration of JEDI, I hope we can go through that in careful detail and examine the different titles and provisions and get your advice about how that can be made more effective.

Senator Simon is just on his way back. Could you hold here?

Mr. **Quinlan**. Yes, sir.

The **Chairman**. Here is Senator Simon. Senator Simon, we've covered some of the things. We raised some important points that we ought to address in terms of the administration of the program, in terms of the bonus features of it, some of the start-up issues, all of which are very important.

And I'd say it's our intention—Senator Simon is a cosponsor—that we keep administration to a bare minimum. We had 15 percent in the JTPA; we are interested in trying to see that administrative tangles are reduced.

I do think that the point that has been raised about how we are going to know whether people are really employed is a key issue. We have seen some states that have worked through that. We are basically utilizing some of the state experience, but we ought to examine that further, and we would be glad to do it.

Finally, we stressed the importance of the private sector involvement, of the involvement of the business community. We don't want to diminish in any way their strong commitment to JTPA; we want to expand it, and I think they ought to have those assurances.

I'm going to ask Senator Simon if he would chair the hearings now. I want to personally thank you.

Mr. **Quinlan**. Thank you, sir.

Senator **Simon** [presiding].

And I thank you, Mr. Quinlan, and I regret I was not here for your—I heard just a minute or two of your testimony. But we appreciate the leadership you are providing in the National Alliance of Business. And I know we welcome your input as we move along on this question.

Thank you.

Mr. **Quinlan**. We appreciate your willingness, Senator, to participate in the conference this week of the National Association of Private Industry Councils that we cosponsored.

Senator **Simon**. Well, I was pleased to do so, and I appreciate your leadership in that area. Thank you very, very much.

And I would like then to call on Commissioner Stephen Heintz, if he is here, as the final witness here today.

Let me just add, Senator Dodd is on the way, and he wants to more formally introduce you. We'll, go ahead with your statement at this point, and then we will interrupt for a more lavish and appropriate introduction.

STATEMENT OF STEPHEN HEINTZ, COMMISSIONER, CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE, HARTFORD, CT, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. **Heintz**. I'm sure that the Committee and the audience can wait for a long time for that to occur, Senator. Thank you very much. I am Stephen Heintz. I'm the commissioner of the Connecticut Department of Income Maintenance, our state's welfare agency. And I'd like to say at the outset that we are very pleased to be here this afternoon. And I'm testifying really on behalf of the American Public Welfare Association and its year-long task force that has been looking at a total redesign of the welfare system.

And it is a privilege to be here, and I want to express our appreciation both to Chairman Kennedy and to you, Senator Simon, and the other Members of the Committee for focusing early in this session of Congress on the issues of the employment and training system as they particularly relate to welfare recipients. In fact, we would stress the point that changes in the employment and training system can only achieve their fullest potential on behalf of welfare recipients if in fact those changes are part of a larger effort to overhaul the entire welfare system itself.

And the reverse in fact is true as well. The welfare system can only support families better and more efficiently and in a way that promotes their own strength as a family unit and secures their long-term independence if we also reform the employment and training system simultaneously. So the two approaches work very much hand in hand, and must happen, we think, together in a national way with the Federal government providing the leadership, with the states having flexibility to implement and working together toward a new future for social welfare.

About a year ago, in response to the growing crisis in our nation of childhood poverty, the American Public Welfare Association established a welfare reform task force. A diverse group of welfare commissioners from across the country have been working, then, for the past year representing large and small states, urban and rural constituencies, liberals and Democrats, Republican governors and Democratic governors—and we have re-examined the entire welfare system and concluded in fact that the system is no longer relevant to the nature of poverty in our country in these years, in the 1980's and into the 1990's, and is failing the American family.

We released a report in November, Senator, called "One Child In Four" in reference to the statistic that we find so morally tragic and economically concerning that one child in four in America today is born into poverty, and in fact one child in five will now spend his or her entire youth in poverty.

And we concluded in our study early on that while the family must be the focus and the family must take responsibility for doing the best it can to meet its own needs, that government has an important role to play in this process as well.

Time does not permit this afternoon a detailed review of our proposal. It is included in our written testimony and copies of our report are available. But I would like to quickly summarize because it dovetails very clearly with some of the bills being considered in this Committee, including the JEDI proposal that you and Senator Kennedy have made, the Opportunities for Employment Preparation Act of 1986, the Aid to Families in Employment Transition Act also of '86, both of which were introduced by Senators Dodd and Specter.

We are suggesting that the current welfare system be replaced with something we call the family investment program. And our family investment program, put together by people who are in a unique position to know the failures of the current welfare system, because we are running it, has four major components.

The first are client-agency contracts, simple written contracts between the welfare agency, welfare family and the outlining of the mutual obligations and responsibilities of each in promoting and achieving self-sufficiency. On the one hand, it would require certain activities of the family, which might be education, might be training, might be parenting education; on the other hand, it would also require services to be provided by the agency in the form of day care, cash assistance or other services.

In essence, the contract becomes a discharge plan. As people come into the welfare system, we begin to work immediately on planning for their ultimate self-sufficiency and independence. The contract would include goals and timelines and benchmarks by which the progress of both the family and the service structure could be measured.

The second element is more closely related to the work of this Committee, and that is that we would recommend that all states be required to operate comprehensive welfare-to jobs programs. We've learned from both the successes and failures of the original WIN program, and more recently from the growing successes of the WIN demonstration programs in a number of states, including ET in

Massachusetts, the Job Connection in Connecticut, Project Chance in Illinois, that the WIN demonstration programs can work.

We would recommend that all states be required to operate comprehensive programs that include choices available to clients in the areas of education, training, job search activities, and, certainly, employment.

In our view all parents whose children are age 3 or older should be required to participate in some element of that kind of comprehensive approach. Parents with children who are under the age of 3 would not be totally exempt but would instead be required to participate in a program of less intensive activity but some kind of activity that links them to the broader community, that contributes to their overall long-term economic independence and gives them the opportunity to fulfill their own goals.

Obviously comprehensive welfare-to-jobs programs rely on the availability of adequate child care, affordable child care that meets both the education, training, and employment needs of the parents, but also contributes to the developmental needs of the children.

Equally important to welfare-to-jobs as a source of income for these families are efforts to enforce child support payments and also to support the major education reforms currently being considered in this country as part of the process of helping welfare families gain access to the kind of quality basic education that they need to help them become competitive in the job force.

The third element of our program is something we call the family living standard. And the family living standard would replace the current Aid to Families with Dependent Children, foodstamps and Low Income Energy Assistance programs, as they are available to families. FLS, as we call it, would be established in each state, but following a nationally prescribed methodology for actually surveying the costs of living in each state, of meeting the basic material needs that families must meet to survive—housing, furnishings, food, clothing, utilities, et cetera.

Then cash supplements, cash assistance, would no longer be based on an AFDC kind of formula but would rather be based on an examination of the income available to the family from child support, from earnings, from other sources, comparing that to that state's family living standard, and then cash supplements would be made available to the family to make up the difference that might exist.

Cash supplements under the family living standard, in our view should be available to single-parent families and two-parent families alike; the key test is need and not the composition of the family.

In addition, we are convinced that it must always be better to work than to be on welfare. So we recommend building in incentives in the FLS so that earnings may be disregarded as the welfare family moves into the work force.

In sum, the FLS is based on our strong belief that it is unrealistic to expect that welfare families are going to be able to go out and get the education, the training, and the employment they need, and at the same time nurture and support the development of their children, if in fact their very economic survival is constantly in doubt.

The fourth element of our program, then, is to strengthen the capacity of state welfare agencies to better help low-income families. The current social services system in this country—really fifty different systems—is quite a complex maze of programs, of rules, of services, and of agencies. And we recommend the development of a system of something we are calling case management, which would help a family assess its total needs, not just for income support, for example, not just for employment and training services, but whether there might be a drug or alcohol problem that also needs to be resolved before that family can survive. And that the case management function would be available to assess those total needs and to help families gain access to the variety of agencies and programs and services that are available to help meet those needs.

Case management would really monitor the performance of the contract that I mentioned earlier that would be established between the family and the agency.

These, in abbreviated terms, are the central elements of our program.

I'd like to turn now to how they fit in with changes in the employment and training structure that you are considering in this Committee. Let me start with a few comments about JTPA. I serve on the state JTPA council in Connecticut, and I think that in many ways the current JTPA program is working as well as it can for welfare families given the constraints of the law and the allocation of the dollars available. In Connecticut, for example, in the program year '85–'86, 31 percent of all JTPA participants served were AFDC recipients. Some 50 percent of JTPA participants were welfare recipients in general, combining AFDC and general assistance.

Overall, the entered employment rate for JTPA participants in Connecticut has been 68 percent; for the welfare participants it's been 63 percent. So we think that we are doing pretty well with JTPA as regards welfare recipients within the confines of the Act itself.

Now, the JEDI legislation would help. And we think that the concept of incentive payments for successfully serving AFDC families and Refugee Assistance families would encourage greater efforts at the state level on their behalf.

But I would suggest that perhaps the major barrier to improved JTPA performance on the part of welfare families is at the front end of the system. In Connecticut the JTPA agencies have established in essence an enrollment requirement that they test out at the 8th grade level in terms of reading and writing. And I don't think that's inappropriate because, you will recall, they are operating under overall performance standards that they have to meet in order to get additional funds under JTPA. And rather than reduce the performance standards at the back end or reduce those enrollment standards at the front end, we would rather see some programs designed to help welfare recipients get to an 8th grade or better level of reading and writing, and then move into the JTPA training programs and out into employment.

So this is how we would suggest that JEDI and JTPA and welfare reform work together. Perhaps some feeder programs, some greater outreach efforts, and some pre-JTPA remediation programs could be established and would be essential, we think, to better JTPA performance on the part of welfare recipients.

I would suggest that you may want to consider at least adding some requirement in your bonus incentive payment proposal that the funds coming back to the states as bonuses, that a portion at least of those would have to be used to establish these kinds of feeder programs, working on bringing up the basic education skills of welfare recipients as they become eligible for JTPA services.

The last point I'd like to make, Senator Simon—and it's been made earlier today, so I won't spend a great deal of time on it—is the importance of saving WIN while we sort out a better long-term approach. WIN as a program has been in many ways justifiably criticized in the past. However, the states in the last couple of years have made great strides primarily through the demonstration authority to make WIN a success. And with WIN expiring in June of this year, some states may be forced to actually close their doors. And while it is important that we move to a new and better system in the long term, let's keep WIN operating until that day arrives.

In conclusion, then, I think it's important that this country face the growing crisis of childhood poverty. It requires bold vision and dramatic action. The changes in the employment and training system are an absolutely necessary part of welfare reform. But we believe that better training and work programs alone must not substitute for a comprehensive reform of the nation's social welfare system. We must develop a system that is at once more rational, more humane, and more disciplined. We must establish a system which saves the children and families of this nation from continued suffering in poverty.

Thank you, Senator Simon.

[The prepared statement of Mr. Heintz and additional materials supplied for the record follows:]

TESTIMONY OF

STEPHEN B. HEINTZ
COMMISSIONER
CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE
AND
CHAIRMAN
APWA MATTER OF COMMITMENT STEERING COMMITTEE
ON BEHALF OF

THE AMERICAN PUBLIC WELFARE ASSOCIATION
AND ITS PROJECT

"INVESTING IN POOR FAMILIES AND THEIR CHILDREN: A MATTER OF COMMITMENT"

BEFORE THE

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

WASHINGTON, D.C.
FEBRUARY 4, 1987

INTRODUCTION

GOOD AFTERNOON. I AM STEPHEN HEINTZ, COMMISSIONER OF THE CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE AND CHAIRMAN OF THE AMERICAN PUBLIC WELFARE ASSOCIATION PROJECT, "A MATTER OF COMMITMENT." I AM PLEASED TO PARTICIPATE IN THE COMMITTEE'S HEARINGS, AND I THANK THE MEMBERS FOR INVITING ME TO JOIN THEM IN THIS IMPORTANT DEBATE.

WITH REGARD TO THE ISSUE OF WELFARE REFORM, LET ME BE CLEAR FROM THE OUTSET. MY COLLEAGUES AND I BELIEVE THAT WE MUST GO FAR BEYOND MERE TINKERING WITH PRESENT PUBLIC WELFARE PROGRAMS AND REDESIGN FUNDAMENTALLY, THE WAY WE RESPOND TO POVERTY IN THIS COUNTRY. WHILE THE ISSUE OF WORK PROGRAMS IS AN IMPORTANT PART OF THE SELF-SUFFICIENCY AGENDA FOR RECIPIENTS OF PUBLIC ASSISTANCE, IT CANNOT BE THE FULL AGENDA FOR POOR FAMILIES AND THEIR CHILDREN. A FEW STATISTICS MAKE THIS POINT:

BASIC PRINCIPLES AND GOALS

TODAY ONE CHILD IN FOUR IS BORN INTO POVERTY IN THIS COUNTRY. ONE CHILD IN FIVE LIVES OUT HIS OR HER CHILDHOOD IN POVERTY. AMONG BLACKS AND HISPANICS THE NUMBERS ARE EVEN MORE STARK: ONE OUT OF TWO BLACK CHILDREN IS POOR. TWO OF FIVE HISPANIC CHILDREN ARE POOR. AS PUBLIC HUMAN SERVICE ADMINISTRATORS, WE HAVE RESPONSIBILITY WITHIN OUR STATES FOR THE HEALTH AND WELL-BEING OF THOSE WHO ARE VULNERABLE. WE OVERSEE THE DEVELOPMENT AND DELIVERY OF SERVICES. MANY IN OUR GROUP HAVE LONG EXPERIENCE AND SPECIFIC EXPERTISE IN THESE AREAS. BECAUSE OF OUR EXPERIENCE AND OUR LEADERSHIP RESPONSIBILITIES, WE CAN BE BOTH LEGITIMATE ADVOCATES FOR THE CLIENTS WE SERVE AND RIGOROUS

CRITICS OF THE EXISTING SYSTEM WE ADMINISTER.

WE KNOW THAT SOMETHING CLEARLY IS NOT WORKING. THE AVAILABLE ARRAY OF SERVICES IS NOT ADEQUATE TO THE NEEDS.

RESPONDING TO THE NUMBERS AND WHAT THEY REPRESENT, AND TO OUR RESPONSIBILITIES IN OUR STATES, THE HUMAN SERVICE ADMINISTRATORS ADOPTED A POLICY STATEMENT IN 1985 CALLING FOR A RENEWED PUBLIC COMMITMENT TO POOR CHILDREN AND THEIR FAMILIES. A STEERING COMMITTEE WAS FORMED REPRESENTING APWA'S BOARD OF DIRECTORS AND ITS COUNCILS OF STATE AND LOCAL WELFARE ADMINISTRATORS.

THE STEERING COMMITTEE HELD ITS FIRST FORMAL SESSION ONE YEAR AGO. THE GROUP IS ITSELF DIVERSE BOTH POLITICALLY AND GEOGRAPHICALLY. WE ARE REPUBLICANS AND DEMOCRATS; LIBERALS AND CONSERVATIVES. WE COME FROM LARGE STATES AND SMALL STATES; WE SERVE URBAN AND RURAL POPULATIONS.

WE HAVE DEBATED AMONG OURSELVES THE APPROPRIATE GOALS FOR OUR WELFARE SYSTEM AND THE POLICIES TO ATTAIN THOSE GOALS. WE HAVE MET WITH A NUMBER OF YOUR COLLEAGUES, WITH CONGRESSIONAL STAFF, WITH OFFICIALS IN THE ADMINISTRATION, WITH OTHER STATE AND LOCAL GOVERNMENT ORGANIZATIONS, PRIVATE NON-PROFIT GROUPS, AND WITH SOCIAL SCIENTISTS WORKING ON THE WHOLE RANGE OF ISSUES WITHIN THE SOCIAL WELFARE FIELD.

OUR GOAL IS STRAIGHTFORWARD: TO REDUCE THE NUMBER OF CHILDREN LIVING IN POVERTY BY PROMOTING SELF-SUFFICIENCY AND STRONG FAMILIES.

BEFORE I OUTLINE OUR RECOMMENDATIONS I'D LIKE TO TELL YOU ABOUT THE

CONCLUSIONS ON WHICH THEY ARE BASED.

THERE IS A VITAL PUBLIC ROLE AND RESPONSIBILITY FOR SOCIETY'S WELFARE AND EACH INDIVIDUAL HAS CERTAIN RESPONSIBILITIES TOWARD SOCIETY. WE BELIEVE THAT INDIVIDUALS BEAR THE PRIMARY RESPONSIBILITY FOR THEIR OWN WELL-BEING AND THAT OF THEIR FAMILIES. IN OUR VIEW, SELF-SUFFICIENCY MEANS FOR AN ADULT, A GOOD JOB; AND FOR A CHILD, A NURTURING FAMILY AND SUCCESS IN SCHOOL. WE VALUE FAMILIES AS THE BASIC BUILDING BLOCK OF OUR SOCIETY, BUT WE ALSO REALIZE THAT POLICIES AND PROGRAMS MUST RECOGNIZE THE CHANGING FACE OF FAMILIES, ESPECIALLY THE INCREASING NUMBER OF SINGLE-PARENT FAMILIES HEADED BY WOMEN.

THE PROBLEM IS COMPLEX AND DYNAMIC. IT REQUIRES POLICYMAKERSD TO GO FAR BEYOND TINKERING WITH THE EXISTING STRUCTURE. IT REQUIRES A FUNDAMENTAL REDESIGN OF THAT STRUCTURE. INVESTING IN STRONGER SELF-SUFFICIENT FAMILIES WILL BRING SIGNIFICANT RETURNS: PRODUCTIVE WORKERS FOR A SHRINKING LABOR MARKET, DIMINISHING NEED FOR INCOME MAINTENANCE AND SOCIAL SERVICES PROGRAMS, AND A STRONGER SOCIETY OVERALL.

TO PUT THE CONCEPT OF INVESTMENT AND MUTUAL RESPONSIBILITY INTO ACTION, WE PROPOSE MAJOR REFORMS IN INCOME SECURITY, EDUCATION, AND EMPLOYMENT PROGRAMS. THE KEY COMPONENTS OF OUR FAMILY INVESTMENT PROGRAM INCLUDE THE FOLLOWING:

o A CLIENT-AGENCY CONTRACT REQUIRING ACTIONS BY CLIENTS AND SERVICES FROM AGENCIES ENCOMPASSING EDUCATION, EMPLOYMENT AND STRENGTHENED FAMILY LIFE. WORK OR EDUCATION TOWARD EMPLOYMENT IS REQUIRED OF PARENTS OF CHILDREN OVER 3; WORK-RELATED OR OTHER PART-TIME OUT-OF-HOME ACTIVITY IS REQUIRED OF OTHER PARENTS.

- A COMPREHENSIVE WELFARE-TO-JOBS PROGRAM IN EACH STATE TO PROVIDE THE SERVICES NECESSARY FOR FAMILIES TO MOVE FROM WELFARE TO SELF-SUFFICIENCY. A STRONG CONNECTION BETWEEN ECONOMIC DEVELOPMENT AND HUMAN DEVELOPMENT SO THAT JOBS ARE AVAILABLE FOR THOSE NOW DEPENDENT ON WELFARE.

- AGGRESSIVE ENFORCEMENT OF CHILD SUPPORT INCLUDING PATERNITY DETERMINATION, VIEWED BY COMMISSIONERS AS A RESPONSIBILITY OF BOTH INDIVIDUALS AND HUMAN SERVICE AGENCIES.

- A NEW NATIONALLY-MANDATED, STATE-SPECIFIC "FAMILY LIVING STANDARD" USING ACTUAL LIVING COSTS AS THE BASIS FOR CASH ASSISTANCE TO ELIGIBLE FAMILIES. THE "FLS" WOULD PROVIDE A STABLE ECONOMIC BASE AS FAMILIES MOVE TOWARD SELF-SUFFICIENCY AND WOULD REPLACE BENEFITS TO FAMILIES WITH CHILDREN UNDER THE AID TO FAMILIES WITH DEPENDENT CHILDREN, FOOD STAMP, AND LOW-INCOME HOME ENERGY ASSISTANCE PROGRAMS.

- STRONGER PUBLIC SCHOOLS FOR LOW-INCOME CHILDREN INCLUDING BETTER PREPARATION AND STANDARDS TO ASSURE ACADMEIC PROGRESS AND GRADUATION FROM HIGH SCHOOL.

- INCREASED AVAILABILITY OF AFFORDABLE, QUALITY CHILD CARE TO MEET CHILDREN'S NEEDS AND SUPPORT FAMILIES WORKING TOWARD SELF-SUFFICIENCY.

- CASE MANAGEMENT IN OUR HUMAN SERVICE AGENCIES TO HELP FAMILIES ASSESS TOTAL NEEDS AND RESOURCES, TO IMPLEMENT AND MONITOR THE CONTRACT, AND COORDINATE NEEDED SERVICES.

RECOGNIZING THAT OUR GOAL OF REDUCING POVERTY AMONG CHILDREN CANNOT BE REACHED IF THE CURRENT INCIDENCE OF ADOLESCENT PREGNANCY IS ALLOWED TO PERSIST, OUR REPORT ALSO CONTAINS PROPOSALS TO DEAL WITH THE PROBLEM OF CHILDREN HAVING CHILDREN.

CENTRALITY OF THE FAMILY

THE FIRST OBLIGATION OF PUBLIC POLICY MUST BE TO REINFORCE--THROUGH BOTH WORDS AND ACTIONS--THE CENTRALITY OF THE FAMILY AND THE PRIMACY OF PARENTAL RESPONSIBILITY IN AMERICAN SOCIETY. MY COLLEAGUES AND I WANT TO MAKE THE CASE THAT PARENTAL RESPONSIBILITY FOR THE CARE OF CHILDREN MUST BE ENFORCED. WE DO NOT BELIEVE THAT POVERTY SOMEHOW REMOVES THE RIGHTS AND OBLIGATIONS OF PARENTS TOWARD THEIR CHILDREN.

WE FIRMLY BELIEVE THAT PARENTAL SUPPORT OF CHILDREN IS THE FIRST LINE OF DEFENSE AGAINST PUBLIC DEPENDENCY. ALL CHILDREN HAVE THE RIGHT TO EXPECT FINANCIAL SUPPORT FROM THEIR PARENTS AND PARENTS HAVE THE RESPONSIBILITY, TO PROVIDE THAT SUPPORT. DETERMINING PATERNITY AND ENFORCING CHILD SUPPORT ARE MUTUAL RESPONSIBILITIES OF CLIENTS AND AGENCIES--RESPONSIBILITIES THAT MUST BE ACCEPTED AND THEIR ENFORCEMENT AGGRESSIVELY PURSUED.

IN OUR FAMILY INVESTMENT PROGRAM PROPOSAL, THE PRIMACY OF PARENTAL RESPONSIBILITY IS SUPPORTED BY THE "CONTRACT" BETWEEN AGENCY AND CLIENT. IT IS ALSO REFLECTED IN OUR BELIEF THAT WHILE ESTABLISHING WORK PATTERNS IN A HOUSEHOLD MAY NOT AUTOMATICALLY REDUCE PUBLIC ASSISTANCE CASELOADS, IT WILL IMMEDIATELY HELP PARENTS AND CHILDREN UNDERSTAND THE IMPORTANCE OF WORK IN

ACHIEVING INDEPENDENCE FROM WELFARE.

OUR APPROACH COMMITS BOTH AGENCIES AND CLIENTS TO REAL PLANS FOR INDEPENDENCE. THE CLIENT-AGENCY CONTRACT IS DESIGNED TO TURN MUTUAL GOOD INTENTIONS INTO MUTUAL OBLIGATIONS AND EXPECTATIONS. AND OBLIGATIONS ARE JUST THAT--OBLIGATIONS. THEY REPRESENT THE MUTUAL RESPECT AND GOODWILL OF CLIENT AND AGENCY IN WORKING TOWARD THE BEST INTERESTS OF THE CLIENT AND, THEREBY, OF SOCIETY. THE OBLIGATIONS AND REQUIREMENTS OF THE CONTRACT MUST NOT BE USED IN COERCIVE WAYS; NOR SHOULD THEY PRESUME, IN SOME PATRONIZING FASHION, THAT OUR FELLOW CITIZENS ARE INCAPABLE OR UNWILLING TO ASSUME THEIR ROLE IN THE LARGER SOCIETY.

THE CORE OF THE CONTRACT WE PROPOSE WILL BE AN EMPLOYABILITY AND FINANCIAL ASSISTANCE PLAN, FROM WHICH FLOW THE SPECIFIC OBLIGATIONS OF BOTH CLIENT AND AGENCY. THE CONTRACT COMMITS CLIENTS TO A RANGE OF SELF-HELP EFFORTS, AND IT COMMITS STATE AND LOCAL AGENCIES TO SUPPORT THOSE EFFORTS BY PROVIDING NECESSARY SERVICES AND ASSISTANCE. BY ESTABLISHING GOALS, TIMELINES AND BENCHMARKS, THE CONTRACT TRANSLATES MUTUAL EXPECTATIONS INTO CONCRETE TERMS. THE CONTRACT WILL BE IN EFFECT A "DISCHARGE PLAN" AIMED AT EVENTUAL SELF-SUFFICIENCY AND INDEPENDENCE FROM THE SYSTEM.

THE CLIENT'S OBLIGATIONS UNDER THE CONTRACT WILL INCLUDE MANDATORY WORK AND EDUCATION/TRAINING ACTIVITIES BASED ON THE INDIVIDUAL'S NEEDS, ABILITIES, AND GOALS. THE AGENCY WILL PROVIDE SERVICES NEEDED TO SUPPORT THE FAMILY IN ACHIEVING SELF-SUFFICIENCY. THE CONTRACT WILL BE MONITORED REGULARLY THROUGH THE PROCESS OF CASE MANAGEMENT.

"CASE MANAGEMENT", WHICH WE PROPOSE FOR ALL PUBLIC HUMAN SERVICE AGENCIES, MEANS BROKERING AND COORDINATING THE SOCIAL, HEALTH, EDUCATION, AND EMPLOYMENT SERVICES NECESSARY TO PROMOTE SELF-SUFFICIENCY AND STRENGTHEN FAMILIES. THE PROCESS BEGINS WITH AN ASSESSMENT OF THE FAMILY'S NEEDS AND RESOURCES IN FOUR AREAS: (1) EDUCATIONAL ATTAINMENT, (2) WORK EXPERIENCE (3) FAMILY DEVELOPMENT--IN ORDER TO KNOW WHAT PROGRAM OR SERVICES THE FAMILY NEEDS--AND (4) INCOME SECURITY TO DETERMINE THE NEED FOR CASH ASSISTANCE AND DEVELOP BUDGET PLANS.

THE NEED FOR COMPREHENSIVENESS

WELFARE REFORM SEEMS TO HAVE BECOME A EUPHEMISM FOR NEW WELFARE-TO-WORK PROGRAMS OR OLD WORKFARE PROGRAMS. REFORM OF THE WELFARE SYSTEM MUST BE EXACTLY THAT--A COMPREHENSIVE REFORMULATION OF CASH ASSISTANCE, EDUCATION, HEALTH CARE AND EMPLOYMENT-RELATED POLICIES THAT STRENGTHEN FAMILY LIFE AND PROMOTE SELF-SUFFICIENCY.

THE APWA PROPOSALS PROVIDE SUCH A SWEEPING REVISION. WE HAVE TAKEN AT THEIR WORD ALL OF THE PROPONENTS OF WELFARE REFORM--THE PRESIDENT, THE CONGRESS, THE GOVERNORS, THE ADVOCATES, THE CLIENTS. OUR PROPOSAL GOES BEYOND THE QUESTION OF WHETHER TO INCLUDE THE UNEMPLOYED PARENT IN PUBLIC ASSISTANCE AND WHETHER THE INCONSISTENCIES IN BENEFITS FROM STATE TO STATE SHOULD BE ELIMINATED. IT SHOULD GO WITHOUT SAYING THAT THE ENTIRE FAMILY IN NEED SHOULD BE ASSISTED SO THAT IT MAY ULTIMATELY BE SELF-SUFFICIENT. AND, OF COURSE, THE CASH ASSISTANCE PROVIDED TO FAMILIES SHOULD BE BASED ON THEIR ECONOMIC NEED AND RESOURCES.

WE BELIEVE THAT OUR SOCIAL POLICY MUST ULTIMATELY BE BUILT ON A COMPREHENSIVE SOCIAL INSURANCE MODEL. THIS IS IN PART PRAGMATIC, IN PART PHILOSOPHICAL. OUR PUBLIC PROGRAMS DIRECTED AT ECONOMICALLY ADVANTAGED AS WELL AS DISADVANTAGED INDIVIDUALS HAVE FARED WELL; MEANS-TESTED PROGRAMS HAVE NOT. WE BELIEVE ASSISTANCE TO POOR FAMILIES AND CHILDREN SHOULD BE BASED ON ECONOMIC NEED, NOT ON OTHER MORE ARBITRARY FACTORS. YOUNG PARENTS IN POVERTY WHO HAVE NEVER HAD THE ADVANTAGE OF GAINFUL EMPLOYMENT FACE JUST AS MANY COSTS ON BEHALF OF THEIR CHILDREN AS DO LAID-OFF AUTO WORKERS OR FARMERS DISPLACED BY ECONOMIC FACTORS BEYOND THEIR CONTROL. CHILDREN IN NEED ARE CHILDREN IN NEED.

AMONG THE NECESSARY TRANSITION STAGES AS WE MOVE TOWARD A SOCIAL INSURANCE POLICY IS THE ESTABLISHMENT OF A FAMILY LIVING STANDARD REFLECTING BASIC LIVING COSTS WHICH VARY FROM ONE GEOGRAPHICAL AREA TO ANOTHER.

IT IS NOT USEFUL TO PRETEND THAT FAMILIES CAN EFFECTIVELY SEEK SELF-SUFFICIENCY, NURTURE AND SUPPORT THEIR CHILDREN'S DEVELOPMENT, AND BE ACTIVE MEMBERS OF THEIR COMMUNITIES IF THEIR ECONOMIC SURVIVAL IS ALWAYS IN DOUBT. ESTABLISHING A FAMILY LIVING STANDARD WILL ASSURE A STABLE ECONOMIC FOUNDATION FROM WHICH THE MOVE TO SELF-SUFFICIENCY CAN TAKE PLACE.

THE FAMILY LIVING STANDARD WOULD INCLUDE BASIC NECESSITIES SUCH AS HOUSING AND FURNISHING, FOOD, CLOTHING, TRANSPORTATION, UTILITIES AND OTHER MAINTENANCE COSTS. WE PROPOSE ESTABLISHING STATE-SPECIFIC FAMILY LIVING STANDARDS TO REFLECT ACTUAL LIVING COSTS IN EACH STATE. FAMILIES WITH CHILDREN WOULD RECEIVE CASH ASSISTANCE IN THE FORM OF AN FLS SUPPLEMENT BASED ON THE DIFFERENCE BETWEEN THE STANDARD AND THE FAMILY'S INCOME, INCLUDING WAGES, CHILD SUPPORT AND OTHER STIPENDS.

ONCE A FAMILY LIVING STANDARD IS ESTABLISHED, BENEFITS TO FAMILIES WILL BEGIN TO REFLECT ACCURATELY FAMILY NEED, AND PROVIDE THE STABLE ECONOMIC SITUATION FROM WHICH SELF-SUFFICIENCY CAN ACTUALLY BE ATTAINED.

FROM THE OUTSET THE CASE MANAGER, WHO IS TRAINED AND SKILLED IN ASSESSMENT, ASSISTS THE FAMILY IN DETERMINING THE FAMILY'S NEEDS AND RESOURCES. THAT INTAKE PROCESS WILL REVIEW THE PARENTS' EDUCATIONAL ATTAINMENT, WORK EXPERIENCE, INCOME SECURITY, AND FAMILY'S DEVELOPMENT NEEDS. COULD ONE OR BOTH PARENTS BENEFIT FROM PARENT EDUCATION COURSES? IS THERE A SERIOUS PROBLEM INVOLVING DRUGS OR ALCOHOL CALLING FOR SPECIFIC TREATMENT? IS THE FAMILY'S HEALTH CARE ADEQUATE? WHAT ARE THE HOUSING NEEDS? ALL OF THE "NEEDS" THAT RELATE TO BOTH SELF-SUFFICIENCY OPTIONS AND THE STRENGTH AND STABILITY OF THE FAMILY UNIT ARE TAKEN INTO ACCOUNT.

REDUCING DEPENDENCY

WE BELIEVE THE APWA PROPOSAL WOULD REDUCE DEPENDENCY IN FOUR WAYS:

(1) **COMPREHENSIVE WELFARE-TO-JOBS PROGRAMS WOULD PROVIDE THE EDUCATION AND TRAINING NECESSARY TO ACHIEVE SELF-SUFFICIENCY.**

OUR PROPOSALS FOR WELFARE-TO-JOBS PROGRAMS ARE BASED ON THE SUCCESSES STATES HAVE HAD IN MOVING WELFARE RECIPIENTS INTO NONSUBSIDIZED JOBS THROUGH THE WORK INCENTIVE (WIN) DEMONSTRATION AUTHORITY. WE URGE THAT THE STATES HAVE FLEXIBILITY IN CHOOSING THE APPROPRIATE MIX OF PROGRAM ELEMENTS INCLUDING REMEDIAL EDUCATION, SKILLS TRAINING, JOB SEARCH, JOB TRAINING. WE RECOMMEND A

75 PERCENT UNCAPPED FEDERAL SHARE IN THE COSTS OF SUCH PROGRAMS.

VARIOUS PROPOSALS HAVE BEEN OFFERED AS STRATEGIES FOR PROGRAMMING AND FUNDING COMPREHENSIVE WELFARE TO WORK INITIATIVES, INCLUDING THE "JOBS FOR EMPLOYMENT DEPENDENT INDIVIDUALS, INTRODUCED BY YOU, MR. CHAIRMAN. ALTHOUGH NEITHER THE STEERING COMMITTEE OF THE MATTER OF COMMITMENT PROJECT NOR THE NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS HAS DEVELOPED POLICY POSITIONS ON ALL OF THOSE PROPOSALS, THERE ARE SEVERAL BASIC IDEAS WE FAVOR:

- FUNDS FOR A WIDE RANGE OF WELFARE TO WORK STRATEGIES, INCLUDING LONGER TERM TRAINING AND EMPLOYMENT INITIATIVES, MUST BE AVAILABLE TO STATES.

- FUNDS MUST BE AVAILABLE TO PLAN, IMPLEMENT, AND EXPAND PROGRAMS--INCLUDING THE ADMINISTRATION OF SUCH PROGRAMS--AS AN UP FRONT INVESTMENT;

- FUNDS MUST BE USED TO ENCOURAGE STATES TO CREATE PROGRAMS, OR TO EXPAND PROGRAMS, AND NOT JUST TO HELP SUBSIDIZE PROGRAMS IN STATES THAT HAVE ALREADY SHOWN THE WILL, AND THE ABILITY, TO DEVELOP SUCH PROGRAMS;

- PROGRAMS SHOULD NOT BE SO DIFFICULT TO ADMINISTER THAT RESOURCES ARE CONSUMED IN CATEGORIZING AND TRACKING RECIPIENTS RATHER THAN IN SERVING THEM...THE CLASSIC TRADE-OFF BETWEEN TARGETING AND ADMINISTRATIVE COMPLEXITY.

IN TERMS OF CLIENT OBLIGATIONS WE RECOMMEND:

- o EMPLOYMENT OR EDUCATION TOWARD EMPLOYMENT BE REQUIRED OF ALL PARENTS WITH CHILDREN AGE THREE OR OLDER.

- o A MORE LIMITED PROGRAM OF EDUCATION, EMPLOYMENT OR OTHER ACTIVITY DESIGNED TO PROMOTE SELF-SUFFICIENCY OR STRENGTHEN THE FAMILY BE REQUIRED OR PARENTS OF YOUNGER CHILDREN.

CHILDREN DO NOT BENEFIT IN THE LONG RUN FROM HAVING A SINGLE PARENT AT HOME FULL-TIME IF THEY DO NOT ALSO LEARN ABOUT SELF-SUFFICIENCY AND THE OPTIONS AVAILABLE TO THEM IN THE LARGER COMMUNITY. SELF-RESPONSIBILITY AND COMMUNITY INVOLVEMENT ARE MORE READILY APPARENT TO A CHILD IF THE PARENT SETS SUCH AN EXAMPLE. ONE OF THE THINGS THAT WE TOO OFTEN FORGET WHEN WE URGE WORK REQUIREMENTS ON WELFARE RECIPIENTS IS THAT THE ROUTINE OF JOB-SEEKING AND JOB-RETENTION IS NOT ROUTINE IN MANY LOW-INCOME FAMILIES. MAINTAINING SOME CONNECTION TO THE COMMUNITY, EVEN WHEN THE CHILDREN ARE INFANTS, IS DESIRABLE BECAUSE IT RADICALLY REDUCES THE ISOLATION OF POOR YOUNG MOTHERS AND HEIGHTENS THE OPPORTUNITIES FOR SINGLE PARENTS TO WORK AND GAIN SELF-SUFFICIENCY.

SELF-SUFFICIENCY THROUGH A COMPREHENSIVE WELFARE-TO-JOBS PROGRAM, OF COURSE, PRESUMES THE AVAILABILITY OF QUALITY CHILD CARE AND THE OTHER SERVICES NECESSARY FOR ECONOMIC INDEPENDENCE.

(2) **THE FAMILY LIVING STANDARD COUPLED WITH THE WELFARE-TO-JOBS PROGRAM PROVIDES REAL ENCOURAGEMENT TO WORK.**

BECAUSE WE BELIEVE IT SHOULD ALWAYS BE TO A FAMILY'S BENEFIT TO WORK, THE FLS

WOULD INCLUDE FINANCIAL INCENTIVES TO WORK. FAMILIES WOULD BE ALLOWED TO EXCLUDE 25 PERCENT OF ALL EARNED INCOME AS WELL AS THE EARNED INCOME TAX CREDIT WHEN CALCULATING THE BENEFIT LEVEL.

(3) STRONGER PUBLIC SCHOOLS FOR LOW-INCOME CHILDREN ARE CRITICAL TO REAL SELF-SUFFICIENCY.

CHILDREN DROP OUT OF SCHOOL IN PART BECAUSE THEY DO NOT AND CANNOT MAKE THE CONNECTION BETWEEN THEIR OWN SCHOOLING AND THEIR EVENTUAL SELF-SUFFICIENCY AS GAINFULLY EMPLOYED MEMBERS OF SOCIETY. SCHOOL IS IRRELEVANT TO CHILDREN UNLESS THEY CAN SEE HOW IT WILL FINALLY BENEFIT THEM AND THEIR FAMILIES.

WE BELIEVE THAT EDUCATIONAL REFORMS ALREADY PROPOSED MUST BE ACTED UPON INCLUDING PROGRAMS TO PREPARE LOW-INCOME CHILDREN FOR SCHOOL, TO ASSURE THAT THEY MAKE MAXIMUM ACADEMIC PROGRESS--COMPLETING HIGH SCHOOL AT A MINIMUM--AND TO INSURE EFFECTIVE TRANSITIONS FROM SCHOOL TO WORK.

(4) ADEQUATE HEALTH CARE COVERAGE DURING THE TRANSITION TO SELF-SUFFICIENCY MAKES THAT TRANSITION POSSIBLE.

WE ARE RECOMMENDING THAT MEDICAID CONTINUE TO BE AVAILABLE TO RECIPIENTS OF FAMILY LIVING STANDARD BENEFITS, AND WE ARE NOW EMBARKING ON A THOROUGH REVIEW OF THE ENTIRE AREA OF ACCESS TO HEALTH CARE FOR POOR FAMILIES AND CHILDREN. WE DO KNOW, NOW, HOWEVER, THAT HEALTH CARE COVERAGE IS ESSENTIAL FOR POOR FAMILIES AS THEY ENTER THE WORK FORCE AND FOR A SUFFICIENT TRANSITION PERIOD UNTIL EMPLOYERS MAKE ADEQUATE HEALTH CARE COVERAGE AVAILABLE TO SUCH FAMILIES.

WELFARE REFORM IN A PERIOD OF FISCAL RESTRAINT

WE ARE CURRENTLY DEVELOPING COST ESTIMATES FOR OUR PROPOSED FAMILY INVESTMENT PROGRAM. A WHOLE SERIES OF COMPLEX QUESTIONS HAVE TO BE ANSWERED EVEN TO PRODUCE ROUGH ESTIMATES ON A PROPOSAL THIS COMPREHENSIVE. SOME OF THOSE VARIABLES:

o THE COST OF THE STATE FAMILY LIVING STANDARDS. BECAUSE SUCH STANDARDS DO NOT YET EXIST WE MUST BASE OUR ESTIMATES ON "PROXIES" FOR THOSE FIGURES, WHILE, AT THE SAME TIME, WE WORK OUT THE METHODOLOGY FOR COMPUTING A FAMILY LIVING STANDARD BASED ON FAMILY NEED.

o THE COST OF JOB PROGRAMS, SUPPORT SERVICES, AND ADMINISTRATION, FOR EACH STATE.

o THE FEDERAL-STATE "MATCH" WHICH MUST TAKE INTO ACCOUNT FISCAL CAPACITY AS WELL AS ENCOURAGE STATES TO ACHIEVE FULL IMPLEMENTATION AS QUICKLY AS POSSIBLE.

o THE PROJECTED RETURN ON THESE INVESTMENTS AS PARTICIPANTS ACHIEVE INDEPENDENCE FROM THE WELFARE SYSTEM.

HOW THE PROGRAM IS PHASED IN AND HOW QUICKLY WILL TO A VERY GREAT EXTENT DETERMINE THE COSTS IN COMPARISON WITH CURRENT EXPENDITURES. WHILE ADDITIONAL STATE AND FEDERAL EXPENDITURES WILL BE REQUIRED UP FRONT, THE PROGRAM IS DESIGNED TO REDUCE WELFARE DEPENDENCY THROUGH EMPLOYMENT, REDUCE PUBLIC HUMAN SERVICE EXPENDITURES, AND CREATE PRODUCTIVE NEW WORKERS AND TAXPAYERS. THE

SAVINGS IN TERMS OF REDUCED COSTS AND INCREASED STATE AND FEDERAL REVENUE WILL BEGIN TO DEFRAY THE ADDITIONAL PROGRAM COSTS IN A VERY SHORT TIME--PERHAPS AS SHORT AS THREE TO FIVE YEARS.

WE ARE PROPOSING A GRADUAL PHASING IN OF THE FAMILY LIVING STANDARD OVER A 10-YEAR PERIOD, WITH STRONG INCENTIVES TO ENCOURAGE STATES TO ACHIEVE A FULL FLS AS QUICKLY AS POSSIBLE. THE PHASE IN WILL TAKE INTO ACCOUNT CURRENT STATE CAPACITY, AND THE CURRENT FEDERAL BUDGET DEFICIT.

WE HOPE TO WORK WITH THE MEMBERS OF THIS COMMITTEE AND OTHER MEMBERS OF CONGRESS IN COMPLETING THE DETAILS OF THIS PROGRAM. WE ARE WORKING WITH BOTH THE NATIONAL GOVERNORS' ASSOCIATION AND THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS ON COST ESTIMATES AND FINANCING METHODS.

AS OUR REPORT STATES, "WHILE WE RECOGNIZE THE REALITY OF FISCAL CONSTRAINTS, WE STRONGLY BELIEVE IN THE BASIC SOUNDNESS OF THE INVESTMENT STRATEGIES WE PROPOSE."

WE WOULD LIKE TO STRESS THAT WHILE THE COST ELEMENT IS IMPORTANT, FOR THE NATION TO BE SERIOUS ABOUT ADDRESSING WELFARE REFORM IN A WAY THAT SUPPORTS FAMILIES AND HELPS THEM BECOME INDEPENDENT, OUR CONCEPTS PROVIDE A SOUND AND PRAGMATIC APPROACH. OUR PROJECT IS TITLED "A MATTER OF COMMITMENT" AND THAT IS EXACTLY WHAT IS INVOLVED. THIS COUNTRY HAS RESOURCES FAR GREATER THAN ANY COUNTRY ON EARTH, YET OUR CHILDREN ARE SUFFERING WITH PROBLEMS MORE ACUTE THAN CHILDREN IN MANY LESS WEALTHY COUNTRIES. IT IS NOT A QUESTION ONLY OF WHAT IT COSTS, OR OF WHERE WE GET THE MONEY TO PAY FOR IT--OUR COUNTRY IS NEITHER SO POOR NOR SO POLITICALLY PARALIZED THAT WE CANNOT MAKE THE COMMITMENT TO OUR

CHILDREN AND THEIR FAMILIES TO HELP BRING THEM OUT OF POVERTY.

CONCLUSIONS

IF WE BEGIN WITH A CLEAR AND DEFINITIVE STATEMENT OF WHAT WE WISH TO ACCOMPLISH THROUGH OUR PUBLIC WELFARE EFFORTS--INDEED OF WHAT KIND OF SOCIETY WE HOPE TO ACHIEVE--WE CAN BEGIN TO WORK TOWARD THAT NATIONAL POLICY.

WE ARE UNITED IN THE BELIEF THAT THE FAMILY IS THE FIRST LINE OF DEFENSE FOR STABILITY AND SELF-SUFFICIENCY. GOVERNMENT IS THE NEXT LEVEL. THE FEDERAL GOVERNMENT MUST CONTINUE ITS ROLE OF RESOURCE ALLOCATION, RESEARCH AND EVALUATION, AND STANDARD-SETTING. THERE IS ANOTHER CRITICAL ROLE FOR THE NATIONAL GOVERNMENT: TO PROVIDE THE KIND OF MORAL LEADERSHIP NECESSARY FOR AN EFFECTIVE REDESIGN OF OUR SOCIAL WELFARE SYSTEM. WE STRESS THAT OUR PROPOSALS REPRESENT AN INVESTMENT: AN INVESTMENT THAT OVER TIME WILL RETURN ACTUAL DOLLAR BENEFITS TO GOVERNMENT TREASURIES. IT IS ALSO A MORAL REINVESTMENT IN OUR HISTORICAL BELIEF IN THE WORTH OF THE INDIVIDUAL. WE MUST REORDER OUR WELFARE SYSTEM NOT ONLY BECAUSE IT IS THE SMART THING TO DO: IT IS ALSO THE RIGHT THING TO DO, AND THAT MESSAGE SHOULD COME FROM OUR NATIONAL POLICY-MAKERS.

TRUE WELFARE REFORM WILL ONLY BE POSSIBLE IF WE OVERCOME THE OBSTACLES AND OBJECTIONS RAISED BY THOSE MORE INTERESTED IN ENDING PROGRAMS THAN IN IMPROVING THEM. IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO TRANSCEND THE PAROCHIAL BOUNDARIES WHICH DEFINE OUR POLITICAL AND PROFESSIONAL INTERESTS. IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO USE THE EXPERTISE FROM ALL SEGMENTS OF THE PUBLIC AND PRIVATE SECTORS. FINALLY, IT WILL ONLY BE POSSIBLE

IF WE ARE WILLING TO INVEST TODAY IN THE STABILITY AND PRODUCTIVITY OF FAMILIES, KNOWING THAT THESE INVESTMENTS--BOTH FISCAL AND HUMAN-WILL RETURN BENEFITS TO ALL OF US FAR EXCEEDING THEIR DOLLAR COSTS.

STATEMENT OF

MANUEL A. BUSTELO
COMMISSIONER

NEW YORK CITY DEPARTMENT OF EMPLOYMENT

SUBMITTED TO THE

COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

FEBRUARY 13, 1987

I am Manuel A. Bustelo, Commissioner of the New York City Department of Employment. I am pleased to submit testimony to the Senate Committee on Labor and Human Resources on the Jobs for Employable Dependent Individuals (JEDI) legislation.

As Commissioner for the largest Job Training Partnership Act (JTPA) Service Delivery Area in the country, I would like to discuss what I believe are two critical elements of welfare reform; the use of the JTPA system to provide the training and employment services necessary for welfare recipients to effectively compete in the labor force and contribute to the nation's economy, and reinvestment of welfare savings into the JTPA system.

Reducing welfare dependency is a specific goal of JTPA. Moreover, JTPA, through its linkages with economic development and the private sector, has proven effective in providing the economically disadvantaged, including welfare recipients, with the skills necessary to meet the employment needs of business.

The JTPA legislation, enacted in 1982, established a significant role for the private sector in federal employment and training efforts. Recognizing the enhanced role of the private sector in providing employment for the economically disadvantaged, New York City, through its Department of Employment and its Office of Economic Development, has developed an economic development strategy whereby all employment and training activities are planned and evaluated for their contribution to the City's economy. This represents a shift in philosophy away from a social services orientation.

In light of recent demographic changes, reflected in a decline in the nation's youth population, and recent growth in the nation's economy, employers will need to target previously underutilized segments of the population, including welfare recipients, to meet their labor force needs. In the past, there was a moral obligation to provide services to those most in need. Today, with changes in the economy and the labor force, it is now necessary for government and business to reach out to those individuals who, with the appropriate skills training, will be able to meet the employment needs of business. Thus, JTPA's role in training and placing economically disadvantaged individuals into private sector jobs is becoming increasingly important.

Utilizing JTPA resources, the Department of Employment, through its network of over 100 community-based organizations, each year, provides training and employment services to over 35,000 economically disadvantaged and unemployed New York City residents, with over two-thirds placed into unsubsidized private sector employment. Ten thousand of those served by the Department are public assistance recipients. However, there still remains a sizeable group of welfare recipients who need assistance in obtaining a job, and who are currently not being served by existing programs.

The Department of Employment's research indicates that JTPA programs effectively prepare welfare recipients for continuous employment. A recent telephone survey of welfare recipients six months after their termination from the Department of Employment's training programs, revealed that 75 percent of those placed into jobs were still employed. In addition, a welfare dependency study of over 5,000 public assistance recipients enrolled in our training programs in 1982, found that two-thirds of the trainees had substantial reduction in welfare dependency, one year after termination from the program.

Expanding training and employment services to the welfare population is clearly indicated. However, current JTPA funding is insufficient to provide the range of services required by this population, as well as serve other economically disadvantaged populations.

I would like to commend the Chairman and the members of this Committee for putting forth the Jobs for Employable Dependent Individuals (JEDI) legislation which provides financial incentives for training and placing public assistance recipients into unsubsidized employment.

The Department of Employment strongly supports the intent of the bill to provide an enhanced role for the JTPA system in preparing welfare recipients for employment, and through incentive bonuses and the recapturing of unspent JTPA funds, to make available additional training dollars to the JTPA system. Based on our job training experience, we believe the bill would be enhanced if several provisions were modified.

While we support the concept of providing job training to long-term welfare recipients, we believe that the program should not be targeted exclusively to heads of household who have received AFDC benefits for two years or more. The Department of Employment's research indicates that in New York City, the critical point for defining long term welfare dependency is one year or more. Welfare recipients participating in our programs who were known to the system for less than one year were three times more likely to leave the welfare rolls after completing the program than those recipients who were known to the system for longer periods. The research found little difference in the rate of leaving welfare among recipients who were on the rolls for more than one year.

In addition, in determining eligibility for the incentive bonus, the legislation requires that individuals be placed into unsubsidized jobs which pay income equal to or greater than their AFDC benefits, resulting in their termination from the welfare rolls. We believe that the bonus should not be awarded based solely on termination from welfare, but awarded for placement and continuous employment, on the assumption that individuals working for some significant period, will substantially reduce or eliminate their dependence on welfare. The bonus should be granted on the basis of contributions to welfare grant reduction, using a graduated system, with higher bonuses awarded for termination from the welfare rolls.

In addition, the incentive bonus should be calculated to reflect differences in welfare benefit levels among states to ensure that states paying higher grants do not go unrewarded for their job training efforts to reduce welfare dependency.

Moreover, while we agree that the incentives should be based on placement and continuous employment, we believe that tracking employment information for welfare recipients for three years would be extremely difficult and costly. For example, the least expensive methods of conducting post-program follow-up such as Unemployment Insurance (UI) systems and New York State's Wage Reporting System do not provide total coverage of employment, do not post data in a timely manner or maintain data for periods as long as three years and do not always provide information on an individual by individual basis. Moreover, participant or employer surveys cannot achieve sufficient response rates for periods of three years or more. Our research indicates that job retention measured for shorter periods of time is an effective indicator of individuals' continuous employment. We suggest that the incentives be based on a one-year rather than three-year period and that they be awarded at placement, and at six month and twelve month intervals.

Although the bill provides administrative monies to the states for management information systems, post-program follow-up and other activities, we suggest that in states where the Service Delivery Areas (SDAs) perform these functions, sufficient administrative funds should be allocated to those SDAs. I would also like to suggest that state payments be distributed to the grant recipients for the Service Delivery Areas, which are not in all cases, the Private Industry Councils.

Finally, I would like to indicate my support for the reallotment of unspent JTPA funds to areas of great need.

By building on the success of the Job Training Partnership Act and its public/private partnership, and providing additional training dollars to the system, I am confident that states and local Service Delivery Areas will be able to provide a greater number of welfare recipients with the skills necessary for private sector employment, thus enabling them to achieve self-sufficiency and contribute to the nation's economy.

I thank you for this opportunity to submit testimony and look forward to working with this Committee in the future.

Senator SIMON. I thank you very much, Commissioner. First of all, the title of your department, the Department of Income Maintenance. Is there any other state in the nation that has that title?

Mr. HEINTZ. I don't think that there is, and it is an embarrassment, quite frankly, because it connotes exactly the wrong impression. I don't want to be in the business of simply maintaining someone at an income that is insufficient really to meet their needs; I want to help propel them into self-sufficiency.

It is a title, Senator, that is used in the social welfare field to describe the functions of income transfer and the programs that my department operates—AFDC, food stamps, Medicaid, etcetera. But it is a particularly distressing title when you consider the acronym is DIM.

Senator SIMON. I did not think of that. It's a very, very minor point, but the department of welfare in Illinois is called the Department of Public Aid, and it simply has connotations also that are not the best.

First of all, in your fundamental thrust you will find this Committee very sympathetic. You mentioned the client agency contract. Has anyone written up such a sample contract?

Mr. HEINTZ. There are a couple of states who are currently piloting this kind of approach. One is Oklahoma and the other is North Carolina. And they have just really begun the effort to test out how the contracts would work. But the key point to us is that you've got to keep them simple; they have to be written in simple English, they have to be short and brief and to the point; and they have to be really mutually negotiated so that the family is part of the process of deciding what is going to work to help them ultimately gain their own self-sufficiency.

Senator SIMON. Could I impose on you, number one, to get us one of the contracts from Oklahoma or the other state that has it?

Mr. HEINTZ. Sure.

Senator SIMON. And, number two, to suggest any modifications from your point of view that would be desirable, along the line that you suggest here.

One other problem that has not been touched upon here, and may have been touched upon by Mr. Quinlan or Mr. Horsley, but I did not get a chance to hear it, is the problem of people who are not yet on welfare but who are unemployed. I will be introducing a bill within the next few weeks to basically make government the employer of last resort after people are out of work for five weeks.

But it would not require that people be on welfare. What we presently do is require that people have to become paupers before we provide assistance. If we provided a little assistance earlier on, there would be many fewer people on welfare and they wouldn't have to go through the kind of agonies they now go through.

Any comments or reflections on that?

Mr. HEINTZ. Well, first let me say that I agree with you. I think that what we really need is a system that prevents the need for welfare, in addition to a system that provides for welfare when it's essential.

Our own proposal addresses that in the following way. The family living standard that we are proposing as we have looked at it in some states would substantially increase the benefits now available even if you were to combine the AFDC and foodstamps and energy assistance amounts. And because of that we are recommending that full implementation of the family living standard be accomplished over a ten-year period.

But in so doing we are very clearly stating that in many cases cash benefits through the family living standard would in effect be wage supplements for the working poor. If a single-parent minimum wage earner is struggling out there every day and only earning $7,000 to support himself or herself and any children, then it is essential, we believe, to support that effort of work with some cash supplement for a period of time to help really meet the basic needs of that family.

So FLS would provide a supplement to those families currently not welfare families but who are struggling in the work force day in and day out to make it.

Senator SIMON. So that I understand your family living standard proposal, you are not proposing to do away with food stamps and Medicaid, or are you?

Mr. HEINTZ. We are not proposing to do away with them entirely, but we are suggesting on the part of low-income families that we not segment the benefits available to them into AFDC, foodstamps, and energy assistance—those three programs alone. Medicaid would continue to be a separate program, and would continue at this point in our view to operate largely the way it does. We are spending this year examining health care and hope to have a report out by the end of 1987.

But we would combine into one single cash supplement the ability of states to help meet the food, basic income, and energy needs of families. And the way we would calculate—and we have really taken a look at this—is to do the kind of market-basket survey that is done by the Department of Labor when they calculate CPI. What does it actually cost in the state of Connecticut, in my example, to provide for basic decent housing for a family of three, let's say? How much for food for a month? How much can we expect for clothing? At basic minimum levels.

And then aggregating that into a standard for Connecticut which would be different than the standard in Illinois and the standard in Oklahoma.

In our review so far what we found is that some states those standards might be somewhat higher than the Federal poverty level as a comparison, and in some states it would actually be lower, because, as we know, the Federal poverty level has no variance for regional or state differences in the cost of living.

So that the family living standard becomes a measure of what it costs to provide for a family and sustain a family, and then the benefits would be made available to supplement whatever income was there up to the level that the living standard would suggest.

Senator SIMON. We thank you very, very much for your testimony. Senator Dodd was planning to be here, and I am sure probably got waylaid on the floor, as we all do. But he is one of your fans, I should add.

Mr. HEINTZ. Well, thank you. It's privilege for me—he's not only my Senator, but he is also my neighbor in the little town of East Haddam, Connecticut. So thank you, Senator Simon.

Senator **Simon**. Thank you, and our hearing stands adjourned.

[The hearing adjourned at 3:36 p.m.]

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